# AGRICULTURAL RELIEF

## HEARING

BEFORE

## THE COMMITTEE ON AGRICULTURE
## HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

---

**Serial A—Part 9**

APRIL 4 AND 5, 1929

UNITED STATES
GOVERNMENT PRINTING OFFICE
43414 WASHINGTON : 1929

# COMMITTEE ON AGRICULTURE

## HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS, FIRST SESSION

GILBERT N. HAUGEN, Iowa, *Chairman*

FRED S. PURNELL, Indiana.
THOMAS S. WILLIAMS, Illinois.
CHARLES J. THOMPSON, Ohio.
JOHN C. KETCHAM, Michigan.
THOMAS HALL, North Dakota.
HARCOURT J. PRATT, New York.
FRANKLIN W. FORT, New Jersey.
FRANKLIN MENGES, Pennsylvania.
AUGUST H. ANDRESEN, Minnesota.
CHARLES ADKINS, Illinois.
JOHN D. CLARKE, New York.
CLIFFORD R. HOPE, Kansas.
ELBERT S. BRIGHAM, Vermont.
VICTOR S. K. HOUSTON, Hawaii.

JAMES B. ASWELL, Louisiana.
DAVID H. KINCHELOE, Kentucky.
MARVIN JONES, Texas.
HAMPTON P. FULMER, South Carolina.
THOMAS A. DOYLE, Illinois.
WILLIAM W. LARSEN, Georgia.
WILLIAM L. NELSON, Missouri

L. A. DARNELL, *Clerk*



LIBRARY OF CONGRESS
APR 25 1929
DOCUMENTS DIVISION

# CONTENTS


| Statement of— | Page |
|---|---|
| Mr. James C. Stone | 735 |
| Mr. O. F. Bledsoe | 758 |
| Mr. J. W. Shorthill | 772 |
| Mr. George McK. McClellan | 779 |
| Mr. C. C. Teague | 784 |
| Mr. Merton L. Corey | 809 |
| Hon. Charles W. Fine | 834 |
| Mr. A. J. MacPhail | 836 |
| Mr. Charles E. Durst | 856 |
| Hon. F. Dickinson Letts | 859 |
| Hon. William B. Oliver | 861 |
| Mr. E. B. Cosgrave | 864 |
| Hon. William C. Lankford | 866 |
| Hon. Edgar C. Ellis | 867 |
| Hon. J. A. Garber | 868 |
| List of Farm Relief Plans | 870 |

# AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
*Thursday, April 4, 1929.*

AFTER RECESS

Mr. Purnell presiding.

Mr. PURNELL. Mr. Stone, we will be glad to hear you now. Will you please give your full name to the reporter and the committee and state whom you represent?

## STATEMENT OF JAMES C. STONE, LEXINGTON, KY., PRESIDENT AND GENERAL MANAGER OF THE BURLEY TOBACCO GROWERS' COOPERATIVE ASSOCIATION

Mr. STONE. Mr. Chairman, my name is James C. Stone; my residence is Lexington, Ky. I am president and general manager of the Burley Tobacco Growers' Cooperative Association.

Mr. PURNELL. You may proceed, Mr. Stone.

Mr. STONE. Mr. Chairman and gentlemen, what I am going to try to tell you this afternoon is going to be as practical as I can put it. I want to give you some of the things that we have been up against in the operations of our organization in the last six years, with about the largest cooperative organization that has ever been in the United States.

In 1921 we suffered from a depression in the tobacco industry, like all other lines of agricultural products did.

From that cause we organized the Burley Tobacco Growers' Cooperative Association.

We have a very peculiar condition in the tobacco trade, especially as it applies to burley tobacco. We have a very concentrated outlet. We have four concerns that buy practically 95 pounds out of every 100 pounds of burley tobacco that is grown.

In 1920 and 1921 the market dropped that year in our commodity from an average of close to 40 cents a pound the previous year to 12 cents in the winter of 1920 and 1921. It was from that depressed condition that this organization that I represent was organized.

We organized a cooperative organization along the lines that the California cooperatives are organized on, and when we got through the organization work on the 15th of November, 1921, we found we had an association with no funds and no facilities with which to operate, and practically nobody in the territory that knew anything about cooperative-marketing organizations.

We had to acquire or lease the facilities in which we were to do our business, and we had but a very short time in which to do it, probably a couple of months.

We had no money; we were organized without capital stock, and we had at that time no collateral upon which we could raise money.

We had no uniform grading system for burley tobacco. The grading systems that had been used in the past were used by the individual manufacturers.

We had no book systems of any kind, and we had nothing to go by upon which to build them.

All of that work was done within two months, and we actually began to receive tobacco on January 26, 1922.

We also had practically the unanimous opposition of the buying side against the organization in the beginning.

But even with all those difficulties, we began to operate, and in the six years that we did operate we handled 988,000,000 pounds of tobacco, and we distributed around $200,000,000 to the growers.

From my observation, I think the trouble, largely, with the farmers is not price levels, but it is the fluctuations of the price levels from year to year. It is the fact of selling a crop one year for 40 cents, and the next year 10 cents which produces a chaotic condition. The average for the two years, which is 25 cents, is a profitable price, but the fact of selling one crop for 40 cents, which increases the production cost, and then selling the next crop at 10 cents breaks the entire community. It was the object of our association not to try to get an excessive price, but to reduce that margin between the top and the bottom prices from year to year so that we could go over a period of years at a reasonable price level.

We did that. We sold no crops for less than 18 or 19 cents, and we sold no crops over 25 cents.

To give you an illustration of the effect that this organization has had in the eight States in which we have operated, when we started I do not suppose the bank conditions had ever been worse. If something had not been done at that particular time to restore the credit, or confidence, I might say, I honestly believe there would have been 100 bank failures in Kentucky alone.

During the six years we were operating there was not a single bank failure in the territory where we operated, and at the end of the six years the conditions of those banks were better than they had ever been in their whole history.

And yet, we did not re-sign; our grower members did not re-sign.

As to the physical operations of the organization, we had for four months of the year a personnel of about 18,000 people, and in that operation, as I stated in the beginning, all of these employees were new men who knew nothing about this character of organization or this work, and yet we were successful in handling the product at a cost that did not exceed the old charge under the old system.

We had our records audited regularly twice a year by the best expert accountants we could get.

In the six years' operations every pound of tobacco and every dollar of money can be accounted for. We did not turn up a single dishonest person in our operations in six years, and in the main our members were fairly well satisfied with the operation.

There were two things that developed in the operation of our association that have been quite enlightening to me, and I think they have a decided bearing on agriculture in general. They are these:

Two of the main points that our members objected to in the re-signing of a new contract were that they did not get their money all at once, and the other was that the outside man who did not join the association got the benefit of the work, or the effect of the ascociation, without paying his part toward maintaining it.

I had numbers of men come in and tell me, "We are perfectly satisfied with the operation; we know it has been honestly managed, and we know it has produced results. We know it has been beneficial to us, but here is John Smith, across the fence, who did not join.

"John Smith was raising 5 acres of tobacco when this organization started. He has been encouraged by some of the manufacturers to increase that production and now he is raising 50 acres. He brings his money back when he sells it under the old system, and shakes it in my face, and he says, 'Bill, if you continue with your organization long enough, you are going to make me rich.'

"And the result of it was that Bill, when it came time to re-sign the contract, came and said, 'I am perfectly satisfied with the results the association has produced for me, but before I sign another contract, John, over here across the fence, has got to put his name to the dotted line first, and, if he doesn't, then we will all go broke together.'"

That brings up this point, in my mind. There are only two ways, in my opinion, to get around that particular point. And I may say here that I do not believe any legislation you are going to pass here in Washington is going to be of any benefit to the grower unless he is organized intelligently and honestly managed.

There are only two ways, in my opinion, to get around that condition, and that is the condition that kept our men from re-signing a contract in a successful organization.

One way is to inform the man who is a member that his logic is wrong, that so long as he is successful and gets results that are satisfactory to him he should not care what the other fellow across the fence gets.

You also will have to make the fellow who is not a member see that he has not done the public-spirited thing; that it is his duty to come in and pay his part toward solving the problem also. But that is a long-drawn-out proposition. That would take 20 or 30 years to accomplish, and therefore would not meet the pressing needs now.

The other way, in my opinion, to solve this problem is to develop a better understanding between the farmer organizations and the man who buys his product.

The thing I tried to do in the operation of this association of ours was to develop cooperation between the association and the manufacturers to whom I sold the product. But I found this a pretty difficult thing to do at times.

I realize the manufacturer's point of view. When any business man can control and set the price of the material he buys for the purpose of manufacturing it, and then sets the price to the public, he does not want to give it up without a struggle.

That was the condition we were up against when we started. I am glad to say we overcame a lot of that. We overcame a lot of it because the attitude of our organization was not to try and force any prices on anybody; it was not to try to make anybody buy anything they did not need, but to try to put our commodity in the position and in the condition, you might say, so that we could deliver it to the buyer in a better way, better graded, better redried, and at a less cost to the man who bought it from us, as far as handling charges were concerned.

One of the most difficult things I have been up against as the manager of this organization is to get it into the heads of my own directors as well as the farmers that it is not a price-fixing organization; that it is a plain business enterprise; that it is a concern that was organized for the purpose of increasing the trading power of the group that it represents.

You can take it from the manufacturer's side, take any one of these big four concerns, and they are all managed by good men. Any one of them probably have from thirty or forty thousand stockholders. What I tried to do in the operation of our association was to follow their lead, because they have proven that method was fairly successful.

In other words, when the manufacturer got ready to buy his requirements of Burley tobacco, he did not send his stockholders down to Kentucky to buy his requirements. If he had, we would have traded their hind-sights off of them. But what he did do was to select a board of directors, say, 25 of the best men from the stockholders' group, and that board of directors then selected an executive head, and that executive head selected the best tobacco man he could find and sent him down to Kentucky to buy their requirements.

What we tried to do in our organization was this: The 108,000 growers got together and they selected 25 of the best directors they could get out of the group, and those 25 men selected an executive head to manage the business, and when that one man came down to trade for the buyer, the farmers' organization had one man to trade for them. It was done on that basis, and we tried to treat every buyer fairly and as nearly alike as we could.

And yet, as I tell you, after we went through six years of operation of that kind and handled all this tobacco, the farmer, because of those things I have told you about before, not getting his money all at once, and the fact that he saw what happened to his neighbor who did not join, they refused to re-sign another marketing contract.

I will also tell you some of the other things we were up against in the operation of our organization, and some of the things we needed which would have been helpful.

To begin with, if we had not found Judge Robert W. Bingham, of Louisville, Ky., who was willing to put up the expense money necessary to organize the Burley group, we could not have organized it at all.

I would suggest a fund being set aside for the purpose of assisting former groups to organize, to be paid back to the fund when they are organized. It would not necessitate a large fund and it could be regulated by your farm board as to who they would advance this money to, and it would be a great benefit, in my opinion, to the farm organizations or to the groups of farmers who wanted to organize.

The next thing we were up against in our organization was that we had an association but we had no money. We had to acquire or to build or construct receiving plants.

If it had not been for the conditions that existed at that time and the scheme we originated ourselves, and if everything had not been set just right, we could not have required the necessary facilities.

But we did work out a plan under which we did acquire six and one-half million dollars worth of property, and we paid for it over the period of six years, and at the end of that six years the members of our growers' group owned these properties through common-stock ownership. We were able to buy this property from the original owners because most of them were in financial troubles.

We bought the property and paid for it in stock and bonds in new organizations that had no other assets except the property we were buying, and the sellers did not even retain a mortgage for deferred payments.

I think there ought to be some fund of some kind set up by the Government whereby legitimate farm organizations that are well managed and economically managed can get money for the creation of receiving plants, so that that money could be loaned to them over a long period of years at a reasonable rate of interest.

As to commercial credits, we had no trouble in securing all the money we needed. Our credit demands were large, we having borrowed in six years approximately $121,000,000, and we never had a single note or acceptance that was past due in that entire time.

We considered this a fair accomplishment when you consider the fact that we started out without any funds of any kind.

We first used the regular channels of credit outside of the territory where we were operating.

If we did not sell enough tobacco by the time our notes and acceptances were due, we had the Federal intermediate-credit bank to fall back on, where we could borrow for a period of nine months, with a renewal privilege of nine months, and we held our local banks, some 300 of them in the district, always as a line of third reserve, because those banks understood the conditions under which we were operating, and were sympathetic. However, I never had to use the local banks to any great extent. When any surplus funds accrued I placed it on deposit with the local banks on a pro rata basis.

I think the creation of the Federal board you are talking about here will be a good thing.

I agree with Mr. Wells, who has just preceded me. I think that the fact that you have a board of that kind, composed of high-class men, men of experience, men who know something about the actual problems of the farmer, and a board that any group of farmers could talk to, tell them their troubles—I think will be very helpful.

I think another thing can be done, probably under the direction of the proposed board, and that is the working out some set of fundamental principles of cooperative marketing and to take the necessary time to inform the farmers of this country what they are. I think cooperative marketing should be taught in high schools, colleges, and universities, even if it has to be fostered by the United States Government.

I also think there should be courses given in the management of cooperative organizations, because efficient management means successful results and is the best method to drive home to the consciences of the farmers an understanding as to what unity of action means.

One of the most difficult things I have been up against, and I believe every other cooperative manager has also been up against it, is to have the man who is a member of that cooperative organization know what it is all about and to let him understand what can be done through unity of action in cooperative marketing, and, most important of all, what can not be done through it, because I know in the case of the formation of our own organization it would never have been formed, in my opinion, if it had not been for the conditions that existed at that time.

I believe 50 per cent of the men who signed the contract said when it was shown to them, "Oh, yes, I will sign it." "Do you not want to read the contract?" "No; I do not want to read it; if that can not help me, nothing can help me; I am broke now. Anything will help me."

That is all right in the beginning, but the trouble begins when false propaganda is broadcasted against the organizations.

The hardest thing I was up against was to inform that man just what his organization could do and could not do.

Cooperative marketing is not a panacea for the farmer's ills; it is not going to make him rich just because he organizes himself into a business organization. He is going to have his ups and downs in cooperative marketing just as in any other line of business. The more intelligent that man becomes the better informed he is as to what it is all about, the better cooperator he is, and the better results he will have through his organization.

I do not believe that farmers' cooperative organizations ought to be composed of farmers alone. From my experience in the last six years, I think the farmers' organizations ought to have in them a representative of the buying side and also a representative of the public. I say this for this reason, because there are three interested parties in the trade, the grower that is growing the product, the man who is preparing it for the public, and the public. And the closer you can get these three parties together the better and the more advantageous trade you can make for all concerned.

I have had in the last six years hundreds of instances where I have been told that the trade could not stand this and could not stand that. I have invariably asked what they meant by the "trade" and I have always been told that the trade was the manufacturer and the public. If it was not for the man who is growing the tobacco the manufacturer could not exist, and yet he has never been considered as a part of the trade.

That has been my biggest effort for the last six years, was to try to demonstrate the fact that the fellow producing the product is as much a part of the trade as the manufacturer or the public. I think that all three units should be represented, and I think if they are represented in well-organized and well-managed cooperative marketing organizations you can solve this problem in a way that will be satisfactory to this country, and I believe this principle applies to other products as well as to tobacco.

You can not do that without some hard work, and I might say without some executive assistance, but just where that executive assistance would come from, I do not know. I do not believe you are going to do it through legislation.

I believe if there are 10 men who can tell me what I am going to get for a calf before he is born, I believe there could be some persuasion brought to bear on those men to cooperate with farmers organizations so that both could make a profit. I believe if there are four men who can tell me what I am going to get for my tobacco before I plant my seed bed the same thing is true.

That is my statement, Mr. Chairman, and I am ready to answer any questions you gentlemen want to ask.

Mr. ASWELL. Mr. Stone, what portion did the grower receive when he brought his tobacco to you; what percentage of the total value?

Mr. STONE. Our average advance——

Mr. ASWELL. The average advance over a period of six years was about 9 cents per pound.

Mr. STONE. The average price during that time had been from 20 to 21 cents a pound.

Mr. ASWELL. It was less than half.

Mr. STONE. Yes, sir.

Mr. ASWELL. If through this board a financial arrangement could be made to pay the producer the full value of his tobacco, would that do away with that trouble?

Mr. STONE. Yes, sir, it would; but I do not thing that would be sound.

Mr. ASWELL. Why?

Mr. STONE. Because the agency that would pay full value would buy the tobacco. That agency would buy the tobacco.

Mr. ASWELL. It would take it at full value.

Mr. STONE. Yes, sir; you would be putting the Government in business absolutely, and I do not favor that. I think this, that if you develop the right kind of cooperation between these three representatives, and if you develop a surplus during that time in one crop, then the cooperative association could carry that surplus for a reasonable time, say for 10 months, and then, at the end of that time, I would say that it was the duty of the manufacturer to carry it. The next year, if you have the tobacco contracted for 10 months in advance, you could get a 90 per cent advance from the proposed Government fund and distribute it to the farmers immediately. This could be done without any risk on the part of the board.

Mr. ASWELL. Would that help the situation?

Mr. STONE. Yes, sir.

Mr. ASWELL. You could do that through this farm board that is proposed to be organized.

Mr. STONE. Yes, sir.

Mr. ASWELL. How much money would it take to handle it?

Mr. STONE. From twenty to thirty million dollars a year.

Mr. KINCHELOE. Mr. Chairman, I just want to make a short statement before questioning Mr. Stone, and I ask that the time be not taken out of my five minutes. I have not had the pleasure of knowing Mr. Stone intimately, except for the work that he has done in

Kentucky. I know that he has not overdrawn any statement of the inauspicious circumstances that surrounded him and his associates in the organization of the Burley Tobacco Growers. When he set out to organize and finance it nobody knew anything about it, and I do not think there is a greater cooperative manager in any industry than Mr. Stone. Now, if this bill should become a law, and there is provided a revolving fund to be loaned, and if the farm board could have such men at the head of the cooperatives as Mr. Stone, then the Government would not lose any money. I want to say one thing, also, about Mr. Bingham. Nobody did more than he did, not only in the burley field but in the dark tobacco region of western Kentucky, southern Indiana, and western Tennessee. No one was more interested. Now, in order to crush out the last semblance of a dark tobacco association, there was a suit brought to put it in the hands of a receiver.

The case was tried before the Federal court at Louisville. Mr. Bingham, of course, was against naming the receiver, and the application was based on the ground of insolvency. So he voluntarily went before that judge and said that he would underwrite every dollar of loss, and, of course, that ended the suit. I think this statement is due both Mr. Stone and Mr. Bingham.

Mr. KINCHELOE. I do not think you went far enough in your statement when you said that is was absolutely necessary to bring the producer, the handler, and the buyer together. I think you are right about that, but what additional method would you employ in doing that, or what can the Government do in the way of building up this character of organization and assisting them?

Mr. STONE. I should imagine that the board that you are thinking of creating, the Secretary of Agriculture, or the President of the United States could, for instance, bring down a group and explain to them just what we are all trying to do in a fair way. All that they would ask them to do would be to cooperate with this group instead of working against them. I have always found those men amenable to reason.

Mr. KINCHELOE. Do you think that if your association had its proportional amount of loans out of the revolving fund from the Treasury, you could use the money to assist in paying a greater percentage of the value of the commodity of the grower when he delivers it to the organization?

Mr. STONE. I do not favor that. I do not think that when the grower delivers his crop to the association any amount should be advanced to him that is above its safe value. What I mean to say is that you can not give us that without cooperation between the buyers, the farmer's group, and the public. You might say that you would have these forces working with the cooperative organization instead of working against the cooperative organization. You would have all of them working in a way that would induce John Jones to join the association, instead of staying out and increasing the crop and breaking down the efficiency of the organization.

Mr. KINCHELOE. What additional methods do you have in mind, if any, to induce the man who has been in the association to come back in line, or to induce any man on the outside to come in, except by more intensive educational campaigns?

Mr. STONE. The only thing that I can say that would bring him back would be hard times. They have been quite prosperous for the last two years, with higher prices, and so long as they are prosperous you can not talk farm cooperative to them.

Mr. KINCHELOE. Of course, that prosperity has been due to a shortage of the crop?

Mr. STONE. Yes, sir; and to some extent it has been due to the fact that our association was still in existence.

Mr. KINCHELOE. Of course, I know it has been due to that in western Kentucky, where there was a shortage of crop. Now, I want to ask you about dark tobacco. As you know, the tobacco grown in western Kentucky is 80 per cent export tobacco. Is that a harder proposition to solve in handling it to the final consumer than is your tobacco, which is to a great extent a tobacco of domestic consumption?

Mr. STONE. Yes, sir; to a certain extent. The condition of the dark-tobacco grower is due to the fact that he exports 80 per cent of his production, but in the last few years he has lost his biggest buyer, which was the Italian Government. Fifteen or eighteen years ago they were buying anywhere from 40,000,000 to 50,000,000 pounds of dark tobacco. Now, they have taken our seed and also some Kentuckians to Italy and are now growing enough of that same character of tobacco in Italy to supply their demand, so that now they are buying practically no tobacco from Kentucky growers.

Mr. KINCHELOE. In fact, to some extent, they are exporting it.

Mr. STONE. Yes, sir. That brings up a thing that I would like to call to your attention: Tobacco originated in the United States. I am thoroughly convinced myself that all kinds of tobacco came originally from the same seed. Difference of climatic conditions have produced different types of tobacco. If you take it away from its original home it will produce a different type. To-day American tobacco seed is being exported to practically all the countries of the world, especially to the British colonies of South Africa, Australia, and Canada.

They are producing the American type of tobacco, and the English Government is giving its colonies a preferential duty of 48 cents upon every pound. Now, they have been coming back to this country every year or every two years to get new seed, because if they produce tobacco from American seed in those localities, that type in a few years breeds out. I believe that if something could be done to keep American seed in America—and it would probably affect not more than 500 people in America—it would have some effect on the price situation on American tobacco. If you were successful in raising the price of American tobacco 1 cent per pound, it would mean millions of dollars to the tobacco growers of this country, and I think that would be quite helpful.

Mr. KINCHELOE. Do you think it would be money well spent if there were provisions in this bill to appropriate a nominal sum for educational purposes in connection with cooperative marketing associations for all commodities?

Mr. STONE. I do, if it is done by the right method. I agree with Mr. Wells in what he said a moment ago, that there are many ideas in regard to cooperatives in the United States, and I think this board

board should study and decide upon a definite plan, or form definite ideas as to what the fundamentals of cooperative organization are, in a broad way. I think those things should be taught as widely as it is possible to do it.

Mr. KINCHELOE. Of course, as you know, one of the greatest benefits of the cooperative is in the scientific grading that is made.

Mr. STONE. Yes, sir.

Mr. KINCHELOE. At the time the last agricultural appropriation bill passed the House it carried a provision for grading, and I was fortunate enough to get on an amendment including "tobacco" under that provision. Because of what happened in the Lynchburg market last year, when the bill got over to the Senate, Senator Glass had the appropriation increased to $20,000. Now, in the absence of cooperative marketing, do you think that would be of great benefit if it were carried out?

Mr. STONE. Undoubtedly. I am familiar with what was done at Lynchburg.

There is one other thing that I should like to say, and that is in connection with this board that you propose to create. I think that the board should be given wide latitude, but I do not think the board should have authority to do anything with any farm organization, unless that farm organization asks for it. I also think that when the farm organization asks for aid, and the transaction is closed, that then this board should step out and have nothing to do with the cooperative organization until it is asked again.

Mr. KINCHELOE. Do you think commodity stabilization corporations would be of benefit?

Mr. STONE. Yes, sir; in a way. I do not know that they would be very beneficial to us. It is a thing that, in my opinion, should be carefully handled.

Mr. THOMPSON (when his name was called). Mr. Stone, I wish to thank you for your very able statement. I waive any questions.

Mr. JONES. What is burley tobacco?

Mr. STONE. It is the best tobacco in the world.

Mr. JONES. What use is made of it?

Mr. STONE. It is used in all four of those popular brands of cigaretts, Camels, Chesterfields, Lucky Strike, and Old Gold. It is splendid cigarette tobacco. Several brands of smoking tobacco are made from it. Such brands as Prince Albert, Edgeworth, Velvet, Tuxedo, old Hillside Smoking, and Sir Walter Raleigh are made exclusively of burley tobacco. Then, for chewing tobacco, we have such brands as Star Plug, Reynolds Natural Leaf, Climax, Drummonds Natural Leaf, and so forth, which are made exclusively of burley.

Mr. JONES. Is any of it used for cigar purposes?

Mr. STONE. Practically none.

Mr. JONES. Is any of it exported?

Mr. STONE. Only when it is cheap. When we have a very cheap market, we export quite a good deal.

Mr. JONES. Your principal market is in this country?

Mr. STONE. Ninety-five per cent of it.

Mr. JONES. In what region is it grown?

Mr. STONE. In the blue grass section of Kentucky, the lower tier of counties in Indiana and Ohio, the western tier of counties of West Virginia, eastern Tennessee, middle Tennessee, in the western edge of old Virginia, and section, the top edge of North Carolina and in three or four counties of Missouri.

Mr. JONES. Is your organization confined to Kentucky?

Mr. STONE. No, sir; we operate in eight States.

Mr. JONES. You cover practically the whole field of burley tobacco?

Mr. STONE. Yes, sir.

Mr. JONES. Do you come in competition much with what is called dark tobacco?

Mr. STONE. We do not with dark tobacco, because it is used for a different purpose. The western part of our State is one of the largest dark-tobacco growing sections in the country.

Mr. JONES. Is dark tobacco used in different ways from burley tobacco?

Mr. STONE. It is used largely for export purposes. They use it there for the same purposes that we use burley tobacco in the United States. It is not used in this country for those purposes.

Mr. JONES. There is no appreciable competition between them?

Mr. STONE. No, sir.

Mr. JONES. Do those two types cover all the production?

Mr. STONE. No, sir. There is the flue-cured type of tobacco, in Virginia, North Carolina, and South Carolina.

Mr. JONES. What is that called?

Mr. STONE. It is called Virginia and Carolina flue-cured bright tobacco. It is used also for cigarettes and chewing.

Mr. KETCHAM. In connection with the conduct of your cooperative, I believe you said that you have accumulated about $6,000,000 worth of facilities?

Mr. STONE. Yes, sir.

Mr. KETCHAM. Where does the title to those facilities now rest?

Mr. STONE. Before answering that question I will have to explain how we acquired them. The association formed district warehousing corporations. The association had no capital stock and no money and the territory was divided up into districts, representing, as nearly as we could get it, the same amount of tobacco in each district. We organized corporations for each district known as warehousing corporations. The warehousing corporation had capital stock, both preferred and common, and bonds.

We purchased the properties through these district warehouse corporations with their preferred stock and bonds, the common stock only to be owned by the members of the asso iation. We then issued that preferred stock in five classes of equal amount, and the bonds in six classes of equal amount, one class of each to be redeemed each year. We retired the preferred stock on the pound basis. We figured, for instance, how many pounds of tobacco was delivered in one district, and we divided that into the amount we had to pay each year. This amounted, say, to 57 cents per hundred pounds, and we deducted that 57 cents per hundred pounds from every man's crop and used the money in retiring the preferred stock, and issued to each grower in lieu of the deduction common stock of the district warehousing exchange. The bonds were retired out of the 1 per cent

reserve fund, created on the dollar basis. Therefore, at the end of six years, all the bonds and preferred stock had been retired, and the members of the association owned the properties of the district corporations through common stock ownership?

Mr. KETCHAM. May I ask if those facilities are ample for the handling of the crop?

Mr. STONE. Yes, sir.

Mr. KETCHAM. I meant to go back to John Smith, the man on the outside: What is his attitude of mind now as to the beneficial results of your organization?

Mr. STONE. He has never had very much.

Mr. KETCHAM. That is, he did not have much mind with which to have an attitude.

Mr. STONE. That is my opinion.

Mr. KETCHAM. Please turn for a moment to the rehabilitation of the organization through encouragement from the board. It develops that you already have $6,000,000 worth of proptry, and, in the next place, you must be able to show him by this time that his staying on the outside is not so attractive as it once was. Therefore, with the consciousness that a board is about to be set up, do you not believe that the matter of reorganizaion would be very much simplified?

Mr. STONE. Yes, sir; but you will not get his attention much until times are hard again.

Mr. KETCHAM. And you think that crop conditions have prevented that pinch being felt?

Mr. STONE. Yes, sir; it is because they have been prosperous for two years.

Mr. KETCHAM. You spoke of one thing that I think is very interesting. You said that it had not been the aim of the organization to boost prices.

Mr. STONE. No, sir.

Mr. KETCHAM. You try to make a careful study of the consumptive demand and to regulate the flow at a reasonable price?

Mr. STONE. Yes, sir.

Mr. KETCHAM. And as you become more trained in the business in general, do you think——

Mr. STONE (interposing). You mean the cooperative organization?

Mr. KETCHAM. Yes. Will any great business enterprise, private or otherwise, ever get very far that does not take into consideration the consumptive demand, and that does not try to meet that demand without dreaming of a monoply and price boosting?

Mr. STONE. I do not believe there is any business man making a success who does not follow out that very idea.

Mr. FULMER. Mr. Stone, I gathered from your remarks that your biggest obstacle in operating your association was the matter of the man on the outside.

Mr. STONE. He is our biggest obstacle; yes, sir.

Mr. FULMER. Do you believe you will have any better advantage in getting that man in with legislation simply creating a board and a revolving fund, than you have had in the past?

Mr. STONE. Yes, sir; I think so. I think that anything the Government does now to try to intelligently foster farm organizations and in giving them intelligent aid will have an influence. I do not think it will be an immediate influence, but I do believe that it will

be an influence in the future towards the development of unity of action on the part of farmers.

Mr. FULMER. It is your belief that you will have to have practically 100-per cent cooperation on the part of the producers to make a success out of it, do you not?

Mr. STONE. No, sir; that is not my idea. I think you can make a success of cooperative marketing if you have the proper understanding and cooperation between the selling group and the buying group on a friendly basis.

Mr. FULMER. If you could have the buying group to recognize your association rather than the independent people, of course you would have the better end of it.

Mr. STONE. Yes, sir; and I believe that can be done.

Mr. FULMER. But not by legislation?

Mr. STONE. No, sir.

Mr. FULMER. Do you believe there ought to be any pressure brought to bear, or any scheme of legislation provided whereby we might force the man on the outside to come in, or to go through the cooperative channel?

Mr. STONE. No, sir; I do not think that anybody who is coerced into anything will be a good member of it. They have now in South Africa, Australia, and British Columbia, laws whereby, as soon as a farm group has 75 per cent of a commodity or crop in their organization, they may apply to the secretary of agriculture, or to the official who is in a position in that country similar to our Secretary of Agriculture, to have the other 25 per cent sold through that same channel. They have that sort of provision in those countries.

Mr. FULMER. Is it your belief that in dealing through a stabilization corporation, or under any scheme whereby the surplus may be handled, the organizations will be able to fix the price?

Mr. STONE. I have found a great many people who have told me that we could fix the price, but I think that is an unsound principle in any organization.

Mr. FULMER. In marketing, you want to bring about a stabilized price, or, for instance, you want to cut out the low points and cut down the high points?

Mr. STONE. Yes, sir. I think this, that if you should overnight reduce the price of every package of cigarettes from 15 cents to 5 cents, you would break the manufacturers of those cigarettes immediately. Now, that is just what the farmer has been up against. Wide fluctuation in price levels from year to year.

Mr. FULMER. If the tobacco people and especially the cotton people could bring about the situation that I have referred to, it would prove a wonderful advantage to the producers of cotton.

Mr. STONE. Yes, sir. Of course, if you raised the price of tobacco, wheat, or cotton, you would still find some people who would not make any profit from it. You have some people who are raising tobacco, wheat, and corn who would not make a profit under any conditions, because they are not farmers. You can not bring about a condition that will make everbody prosperous.

Mr. FULMER. Under the present system, where the speculator largely controls, the farmer is the fellow who gets left, because when he has to get rid of his product the buyer reaps the advantage.

Selling practically all of his cotton in two or three months prices go down and by orderly marketing. Now, you would like to have a system of orderly marketing established by farmers, eliminating these low and high points, and in that way give the advantage to the producer?

Mr. STONE. That is my idea, if we can do that.

Mr. HALL. Mr. Stone, I am very much interested in your discussion with Mr. Fulmer with reference to some men who are engaged in agriculture. I know some of those men who are engaged in the wheat business and who could not raise wheat profitably if the price were $7 per bushel. I know of men out in my county who could not produce eggs successfully at $7 per dozen. It is just due to their manner of going at it. They do not have a systemized plan. That man would take more time in doing his chores than in doing his regular work. I think you have contributed a very valuable statement to the committee, and I am very much interested in it. I do not know anything about tobacco, but I know that you have a good grasp of your problem. The farmers in the Northwest have been organized and disorganized, and have been robbed at every turn, so that it is hard now to get those people, who have been hit so often, to go in again. However, if we had a few experiences such as you have had, or if we had had the benefit of an organization such as yours, I think the farmers would still be in them. It will not be hard to get the farmers into cooperatives or other organizations if they have confidence in the leadership or confidence in the business ability of the men at the head of the organization. I am quite in accord with your idea with regard to this cooperative farm movement.

Mr. LARSEN. Mr. Stone, I was very much interested in your statement regarding the exporting of tobacco seed. Do you have in mind any remedial legislation that you could suggest to meet that situation?

Mr. STONE. The only one that has occurred to me is to put an export duty of some kind on the seed so that the people can not send them away. I do not know whether you could do that or not. I do not know anything about the making of such laws.

Mr. LARSEN. That is what occurred to me. It would have to be a pretty high duty, would it not?

Mr. STONE. Yes, sir. You could take a half an ounce of tobacco seed and sow a bed that would yield sufficient plants for 10 acres.

Mr. LARSEN. It would not be long before that ounce of seed would provide enough to plant a continent.

Mr. STONE. That would only apply in the United States, because the seed grown there would breed out.

Mr. LARSEN. How long does it take to breed out?

Mr. STONE. As a rule they come back here every two years to get their requirements.

There is one other thing I would like to mention, although I do not know whether it comes properly before your committee. However, it is something that would help us like everything. I do not know whether this is the right place to speak of it, but you are all Members of Congress, and it would probably come before a committee which some of you are on. I refer to the fact that our industry to-day is the only industry in the United States that is still on a war basis of taxation. For every pound of tobacco that we sell for from

25 to 35 cents per pound which goes into cigarettes the Government is collecting a tax of $1 per pound. On every pound of chewing or smoking tobacco, for which we have gotten from 18 to 28 cents per pound the Government levies a tax of 18 cents per pound. Now, of course, when a manufacturer comes down here before you gentlemen, the first question he is asked is how much money he made last year, and when he says $30,000,000 he had just as well fold his tent and go back home. But who is paying that tax? It is the tobacco grower, because it is both partly taken off the cost of the raw material and added to the manufactured price. The grower and the consumer pay the tax, and the grower is both grower and consumer. I believe that if the tax on cigarettes could be reduced from $3 per thousand to $1.50 per thousand, and on smoking and chewing tobacco from 18 cents to 9 cents per pound, the consumption would increase to such an extent that the Government would get as much revenue from it as it does to-day and at the same time give the producer a much greater demand for his product. I am not saying this in behalf of the manufacturer but I am saying it in behalf of the grower. It would, in my opinion, increase the consumption materially for all types of American tobacco, and that is what we need as growers.

Mr. LARSEN. We grow tobacco in Georgia also, and I am deeply interested in your remarks. Reverting again to the question of tobacco seed, is there any other territory outside of the United States from which the foreign countries could be supplied with their seed?

Mr. STONE. None has ever been developed yet. That is due to the fact that tobacco developed originally in the United States.

Mr. LARSEN. You do not think it is possible to develop it from another field?

Mr. STONE. It has not been done so far.

Mr. LARSEN. I think your suggestion should be given very careful consideration, and I am very glad to have your views on those questions.

Mr. STONE. We have never taken the tax proposition up with any committee. We have thought of it many times, and I am saying that now for the benefit of the growers, and not from the manufacturers' point of view, because the manufacturer will get his profits no matter what the taxes are.

Mr. LARSEN. That is a condition that grew up during the war.

Mr. STONE. Yes, sir. You might say that our commodity is the only one in the United States that is now taxed on a war basis.

Mr. LARSEN. And that additional tax affects the grower?

Mr. STONE. Yes, sir; we are paying it. The manufacturers are not paying it, because they are taking it off the price paid the producer for the raw material and are also putting it on the consumer, which any good business man would do.

Mr. FORT. Your remarks about tobacco seed were very interesting to me because of the remarks of Mr. Amory, who represents the cotton-textile manufacturers, with reference to cotton seed. He made the statement that Sea Island cottonseed, from the South Carolina and Georgia coasts, was the basis of the Egyptian cotton industry, and that they have to come back here ever so often to get fresh seed in order to avoid cross-fertilization, which changes the variety of the

cotton. I understand that it is your idea that the same thing has happened in the case of tobacco.

Mr. STONE. Yes, sir.

Mr. FORT. And that those two industries, which are primarily indigenous to this country, really are suffering from foreign competition because we are permitting the exportation of seed?

Mr. STONE. That is right.

Mr. FORT. You said in answer to Mr. Larsen that you had no specific remedy to suggest on that question. Nothing short of an embargo would accomplish it, would it?

Mr. STONE. That is right.

Mr. FORT. And it would require some study as to whether we are importing any seed for other American industries that we could not get along without?

Mr. STONE. That is true.

Mr. FORT. But if we can do it, it would be helpful?

Mr. STONE. It would be helpful, in my opinion.

Mr. FORT. Then, from the testimony the other day, that might also include cotton.

In your cooperative organization, Mr. Stone, did you have any local cooperatives that were members of the major cooperative, or was it a single organization?

Mr. STONE. No. In my experience there are two ways to organize cooperative organizations: Either in small groups, and then, after a period of years, after they have learned what cooperative marketing means, to coordinate those groups into one selling organization, which takes some time to accomplish, or to organize on a large scale, as we did, and try to educate from the top down. We were compelled to organize on a large scale and to begin operation at once, because we had an emergency existing. Therefore the only way you can organize under those conditions is to organize a large cooperative with concentrated power and to try to educate or to enlighten your units from the top down.

Mr. FORT. Ordinarily, Mr. Stone, the method of local organization first and then federation is more likely to bring social pressure on Nonmember John, whom you have described as living next door to Bill, than the other method?

Mr. STONE. That is right.

Mr. FORT. And it also is more likely to educate the farmer in the real possibilities of cooperative marketing?

Mr. STONE. That is right.

Mr. FORT. So in your judgment that would be the preferred method of organization, where time permitted, would it not?

Mr. STONE. Yes, sir.

Mr. FORT. I was very much interested in your statement about bringing the trade into the picture. Did you mean that you would give them actual representation in the cooperative itself?

Mr. STONE. My idea would be to bring their representative into the operation to see that everybody in the trade was treated fairly, that the commodity was graded properly, that it was allocated if necessary to all of the interested groups, on a percentage basis if necessary, and to see that everybody was treated alike.

Mr. FORT. In other words, you would have some sort of trade committee organized by the cooperatives and the trade generally?

Mr. STONE. That is right.

Mr. FORT. Which would supervise the relations between the cooperative and its customers?

Mr. STONE. And develop the friendly feeling that has got to exist between seller and buyer if you make a good trade.

Mr. FORT. Your particular commodity is one in which you have to deal with a very limited number of buyers?

Mr. STONE. That is right.

Mr. FORT. That presents, of course, a somewhat different situation from the surplus commodities that are sold abroad and to thousands of buyers in this country. In your case what inducement could your cooperative offer the trade as an indication that it was to their interest as well as yours?

Mr. STONE. I can illustrate that in this way: Suppose you wanted to buy a hundred head of cattle to feed. Which method would be to your advantage—to go out and select 50 places to buy those cattle, and give an order to a man in each one of those 50 places to buy you two of a certain kind of cattle, or for yourself or your head man to go down to the stockyards and pick out 100 cattle out of 500? Which method would give you the best cattle, the most uniform cattle, and the best graded cattle?

Mr. FORT. I do not know. But you found that the tobacco manufacturer preferred the latter method?

Mr. STONE. The latter method, due to the fact of his position before the cooperative started.

Mr. FORT. What do you mean by that?

Mr. STONE. He manufactured the goods and fixed the price to the farmer and to the public and made a lot of money.

Mr. FORT. He is now doing that again?

Mr. STONE. That is right.

Mr. FORT. What I am getting at is, what basis of inducement can you give in your particular industry to get those fellows to come in now and do what they have refused to do in the past?

Mr. STONE. Because they can do it for very much less cost. They can get the commodity in a very much better condition, better graded, and delivered to them, as I say, at a less cost. Under the old system, to buy from this fellow on the outside, he has got to maintain a buying organization, say, at 50 points. Under the cooperative method his head man can go into my office and buy 1,000,000 pounds in 15 minutes, if he wants to, and it is delivered to him ready for use.

Mr. FORT. But he has had that opportunity for six years and he has not done so.

Mr. STONE. They like the other method, because they like to control the price to a large extent.

Mr. FORT. That is what I was getting at. Would you have the board given power to prevent that and to get them to do what they would not do before?

Mr. STONE. I think it is against public policy for anyone to have as much power as the tobacco manufacturers have over that many American citizens.

Mr. FORT. In other words, you feel that the farm board or somebody, once created, should step into that situation and suggest to the buyers that they had better quit trying to break the cooperatives?

Mr. STONE. That is right.

Mr. FORT. And that otherwise there may be some intervention that will make them wish they had not?

Mr. STONE. That is exactly my idea.

Mr. FORT. I wondered why you could not also cooperate with them along the line of your both trying to increase consumption, and if you could create such a situation to your advantage, as well as theirs, that you could put on a joint advertising program?

Mr. STONE. Undoubtedly. We had a fund for that purpose the first year, but I could not figure out myself how to use that money to the best advantage. Possibly with the brains and the experience of the other side, if we were working jointly, we could have worked it out to our advantage.

Mr. FORT. But all those things, you think, could be worked out if we should give this board power, and the indication that we expect them to do it, to attempt to bring the trade and the producer together for their mutual interest?

Mr. STONE. I do.

Mr. FORT. Your situation is that your cooperative is quitting, owning six and one-half million dollars' worth of facilities, and having no debt; is that it?

Mr. STONE. That is right.

Mr. FORT. So it obviously has been successful financially?

Mr. STONE. Yes, sir.

Mr. FORT. And the average price during the 5-year period that you have operated has been what?

Mr. STONE. About 20 cents.

Mr. FORT. And what was it prior to the creation of your organization?

Mr. STONE. The year before our association was formed it averaged 12 cents.

Mr. FORT. What has been the lowest during the period of your existence?

Mr. STONE. Eighteen cents.

Mr. FORT. So you have been unable to get them to sign up in spite of having made a price higher by 6 cents a pound?

Mr. STONE. Another interesting thing developed in that, Mr. Fort, that will answer that question better. That is, that in 1926 we decided to sell that crop under the old loose-leaf method. We received it and graded it and sold it under the loose-leaf method, and that crop sold for $12.35.

Mr. FORT. You mean instead of using your usual cooperative method?

Mr. STONE. Yes.

Mr. FORT. So that when you adopted the old method, your people lost money?

Mr. STONE. We lost 8 cents a pound over the average of the five years previous.

Mr. FORT. That is all.

Mr. MENGES. Mr. Stone, I take it from the answer you made to Mr. Fort's question that the moral or financial influence of your

cooperative has been to raise the price of tobacco to everybody in your organization and outside of it?

Mr. STONE. Yes, sir.

Mr. MENGES. Has that not been brought home to the fellow who did not join your organization, in order to lead him to see that you were of benefit to him?

Mr. STONE. He understands that all right, but through selfishness he does not care to join as long as the association will go along. The outside man realizes, in my opinion, that through the organized effort of the association the price level was raised.

Mr. MENGES. And the buyer of your tobacco recognizes the same thing, does he not?

Mr. STONE. Yes, sir.

Mr. MENGES. And he is out to put you out of business if he can?

Mr. STONE. That is right. That has been the attitude of some of them.

Mr. MENGES. Now, I come from a tobacco-raising district. We raise the cigar-filler tobacco and some binder in Lancaster, York, and Lebanon Counties, Pa. I suppose you know a little about that.

Mr. STONE. Oh, yes.

Mr. MENGES. We have a large cigar-manufacturing industry in my district. The cigar manufacturers came down here and testified before another committee of Congress, asking that the tariff on wrapper tobacco which is produced in the United States should be increased. The wrapper tobacco is produced in the Southern States and up in Connecticut, under cover.

Mr. STONE. Yes; I know that.

Mr. MENGES. They asked that that be done. Now, they are not entirely unselfish in this business, because they recognize that if the tariff is taken off the wrapper tobacco raised in this country Cuba will put on a higher price just as soon as the market is open. But in an adjoining district there are tobacco raisers who came down here and testified before another committee, asking that the tariff on wrapper tobacco be removed, in order that the consumption of cigars might be increased, giving them a larger price for filler tobacco for cigars.

That happened. Now, why? This is the reason. I do not know whether you have competitive buying in your district or not. But the buyers of the filler tobacco went into the district and asked the fellows what they wanted for their tobacco. They asked them 22 cents; and the buyers said, "That is not enough for your tobacco; we will give you 24 and 28 cents."

Mr. STONE. We have never experienced that.

Mr. MENGES. Well, that is exactly what happened; and it was done for a purpose. Those fellows were asked to come down here and appear before another committee of Congress and ask that the tariff on wrapper tobacco be removed.

Mr. STONE. If I were a grower of wrapper tobacco, I would come down here and ask that it be not removed; I can tell you that.

Mr. MENGES. They came here and asked that it be removed. You say you have never had anything like that happen in your district?

Mr. STONE. No, sir.

Mr. MENGES. That is just exactly what happened in an adjoining district to mine.

Now, that was done in order to put the cooperative—we have one in the district—out of business; and of the men who came down here and testified, I think one was a member of the faculty of the theological seminary.

Mr. STONE. From our experience I feel that through organization our members have not increased their crops. The increase in burley tobacco has been done by the outside man, who has been encouraged to increase his crop and to enlarge the territory by the buyer himself.

Mr. ADKINS. Mr. Stone, do you have a daily market for tobacco? That is, can you sell it any day in the year?

Mr. STONE. Oh, yes; that is, during four months in the year.

Mr. ADKINS. Before your cooperative came in, and after it came in, it has been the case that when one farmer takes a notion that the price suits him he goes in and sells to-day, and another one to-morrow, and so on?

Mr. STONE. As a rule they begin to sell the first week in December and sell right straight on until they are through.

Mr. ADKINS. I have been interested in your story about your tobacco cooperative. We took a little different shoot on the cooperative than that. If you had organized your cooperative and bought this tobacco on the daily market every day and taken it in, then when you got ready to get rid of all your stuff you could have sold it, and if you had any profit, prorated it back to your fellows on a patronage basis, and it would not have mattered whether the other fellow had come in or not, would it?

Mr. STONE. Well, that is a pretty dangerous proposition. For instance, to begin with, our organization was organized not to deal in tobacco. We could not buy tobacco, but if we had had the right to buy tobacco, with only four people to sell it to, it would have been a pretty dangerous thing for a cooperative organization to have gone on the open market in competition with the man that we had eventually to sell it to, because you had that same advantage with your cooperative or without the cooperative. If you wanted to begin to speculate you could have received the tobacco in the cooperative and not offered it at all.

Mr. ADKINS. What does the buyer do who is buying to-day down there? Does he hold it in his elevator or sell it immediately?

Mr. STONE. He comes in and sells it immediately.

Mr. ADKINS. Could you have done the same thing?

Mr. STONE. Oh, yes; that could be done. In other words, we had, as a cooperative organization, the right to sell it in any way we wanted to.

Mr. ADKINS. We conisdered that 25 years ago. We had a man who went out in the competitive field and bought our commodity, and at the end of the year he had to demonstrate some business ability to compete with the other fellow. At the end of the year he prorated back a profit. It works out in this way: We are not concerned about the man that does not come in. We realized that we could never sign our fellows up. But for the man who is getting from $15 to $25 a thousand for his grain at the end of the year that the other fellow has not got, there is some inducement for him to be coming in once in a while. We get a new member instead of losing one.

Now, I think the whole theory of the sign-up proposition is wrong. At least there have been a number of those promoted in our country on the sign-up plan, and we have stayed away from them; and, from our 26 years' experience with the thing that you complain of, we are not concerning ourselves about the fellow that stays out. We know he is benefiting locally, but that does not concern us. We believe that any sound operating proposition must appeal to the other fellow.

Mr. STONE. I agree with you; and my theory with regard to future cooperatives is that if you are going to sign up for any period of years, you should have a contract with a withdrawal clause it it so, that a man can get out any time he wants to; because I would rather have him out and satisfied than in and dissatisfied.

Mr. ADKINS. Yes; I agree with you.

One more thing: I note what you say about the advisability of having a fund provided for this board to loan for promotion purposes. Now, we do not look on that with very much favor in our country, and I will tell you why. We are not sticklers on that point; but we have withstood more of promotion than any other industry in the world, I think, in the last 25 years.

We have this arrangement: Our local cooperative unit contributes so much a car to support the State organization. Each of us individually contributes $15 a year to our farm bureau organization. Now, we have got the two at last to cooperating. They have a man and we have a man. The community over here is interested in cooperation. Our man goes there and tells them the cooperative story and helps them in any way he can.

We even had to have a State law passed against the promoter. So you can not go out in our country and start to promote something or you will get into trouble.

But if we ever get anywhere it must be left with ourselves. That arrangement is borne by all the men—every man in that country that is a member—and they are jointly looking after the building up where it is necessary.

Mr. STONE. Did you have that same experience in the beginning of your organization?

Mr. ADKINS. Oh, the first crop I sold I sold for a cent and a half a bushel less than I could have sold it for to the other fellow.

Mr. STONE. But I mean your organization expense. Who defrayed that?

Mr. ADKINS. We paid that locally ourselves. Twenty-six years ago this was a new thing, and we donated our time. I have spent many a day over in a neighbor's town telling them what we knew. That was all done ourselves. But since then, in 26 years, we have made some progress; and we have found through our experience that, first of all, the promoted ones have all gone to the bad and that we could best do it ourselves.

Mr. STONE. The only thing I had in view in regard to that suggestion was this: Not to use that money with promoting schemes, but with groups of farmers to defray the actual expense of literature or anything you wanted to get out in the starting of farm groups, membership groups, or whatever you want to call them. Take the organization of our association. We signed 56,000 contracts in the field in two months' time at an expense of not over 70 cents a contract.

Mr. ADKINS. You were unfortunate in having to organize such a large concern. Denmark, with all her experience, tried that with potatoes in 1918, did about two and a half million dollars' worth of business, and then started back trying to organize the farmers, and the thing failed. Those that are based on the local cooperatives that are built up have fared better.

That is all, Mr. Chairman.

Mr. HOPE. You mentioned the fact a moment ago, Mr. Stone, that there has been no increase in production among the members of your association during the time that it has been in existence?

Mr. STONE. That is right.

Mr. HOPE. Did your organization do any work along that line, toward discouraging the increase or promoting stability, or anything of that sort?

Mr. STONE. It was due to two things, I think, Mr. Hope. It was due to the correct information that we gave our members in regard to stocks of tobacco on hand, and so forth, and I think also there was some influence on the member of the association from what the outside man was doing. The outside man was being encouraged to increase his crop, and the inside man, through the information we gave him, as a rule decreased his crop.

Mr. HOPE. You think that there is a field there in which a cooperative can operate to stabilize production along the line, within the demand for that product?

Mr. STONE. I feel that if you could develop the proper cooperation that I have just spoken of between the selling group and the buyer and the public's representative, they could jointly issue a statement that there was so much tobacco produced the year before and that that was so many million pounds more than the normal annual consumption of tobacco, and advise those people to cut their planting 20 per cent, 10 per cent, or 5 per cent; that if they did not do it, the price level next year would be necessarily lower. I do not believe there is any question, with all those three interested groups jointly giving that information to the farmer that he would follow it.

I find this: That the main thing is that the farmer has not the information from the man who uses his stuff in time for him to take advantage of it. I think that is his great trouble to-day.

Mr. HOPE. Do you think the same thing would apply in other commodities, those of which we have large surpluses, like cotton and wheat?

Mr. STONE. I do not know so much about that. Of course, we are not cotton and wheat growers in Kentucky.

Mr. HOPE. I understand that.

Mr. STONE. But I do think this: As an illustration, for instance, take hogs. I was over in Columbus two or three weeks ago talking to the representative of one of the large packers, and I asked him the question if the depression of hog prices for the last 60 or 90 days was not due to the fact that they had their cellars full of lard and could not sell it at a profit, and he admitted that that was true. I said, "All right; suppose we had had the proper kind of cooperation between you and some of these shipping clubs; you could have come

out here 90 days ago and said, 'Gentlemen, we do not want any more 250-pound hogs; we want some 125-pound fat hogs. We can give you a profit on those.'" A 250-pound hog makes twice as much lard as a 125-pound hog. If we had had that information, we might have made a profit on the 125-pound hog and saved half the corn it took us to fatten the 250-pound hog.

Mr. HOPE. Don't you think, Mr. Stone, that the very fact that a price is stabilized over a period of years at a definite level, or near a definite level, would have some effect on stability of production?

Mr. STONE. If it is not placed too high; and I do not think there is anything that is ever going to eventually solve the problem of production except price.

Mr. HOPE. It is your fluctuation in price that causes your fluctuation in production, is it not?

Mr. STONE. Yes, sir.

Mr. HOPE. A high price one year is generally followed by an increase in acreage planted next year of any commodity?

Mr. STONE. Yes, sir.

Mr. HOPE. And if you have a stable price over a period of years, that is not likely to occur, is it?

Mr. STONE. Not if you have your range between high and low years not too great.

Mr. HOPE. Yes. That is all, Mr. Chairman.

Mr. PURNELL. Just one question, Mr. Stone. I think perhaps you touched upon this in your original statement. You would have the board act upon the request of the cooperatives rather than take original action itself?

Mr. STONE. I would.

Mr. PURNELL. I thought you touched upon that.

Mr. STONE. Yes.

Mr. KINCHELOE. Mr. Chairman, I just want to ask one question in order to clear up a matter on the tobacco situation about which there is a great deal of misapprehension in Congress, on the question of the tariff. Of course there are a great many commodities that it is thought an increased tariff will help. But the overwhelming number of Members of Congress, in my experience, think that the tobacco industry as a whole is highly protected. As a matter of fact, the only kinds of tobacco that are now under the tariff are the wrapper, filler, and cigarette tobacco.

Mr. STONE. Wrapper, filler, and Turkish. That goes into cigarettes.

Mr. KINCHELOE. Yes. In other words, there is no tariff on burley tobacco or dark tobacco, for the reason that there is no way that a tariff will help it at all?

Mr. STONE. There is none of it brought in.

Mr. KINCHELOE. So we could not rely on the tariff to help us out on the burley or the dark tobacco?

Mr. STONE. No, sir.

Mr. PURNELL. Mr. Stone, the committee is very grateful to you for your most enlightening statement.

The next witness is Mr. Bledsoe.

## STATEMENT OF O. F. BLEDSOE, GREENWOOD, MISS., COTTON FARMER AND PRESIDENT OF THE STAPLE COTTON COOPERATIVE ASSOCIATION

Mr. PURNELL. Mr. Bledsoe, most of the members of the committee know you, but there are a few new members; so you had better give your name and address and occupation for the record.

Mr. BLEDSOE. O. F. Bledsoe, Greenwood, Miss.; cotton farmer and also president of the Staple Cotton Cooperative Association.

Mr. Chairman and gentlemen, as we all know, each commodity has its own peculiarities, and I am going to confine my remarks strictly to what I have actual knowledge of, and that is cotton.

I want to base my statement, which will be very short, on actual facts and the experience of the Staple Cotton Cooperative Association.

I want to read you this one proposition that I am going to put before you gentlemen for consideration.

This says:

I have made an examination of the books of account and record of the Staple Cotton Cooperative Association during our fiscal years 1925–26 and 1926–27 to determine our experience in handling the surplus cotton crop of Delta staples delivered during the season of 1925–26, and I submit herewith my report.

The total Delta cotton receipts for the fiscal year ended September 1, 1926, was 953,423 bales. The average receipts for the five years prior to this season had been 542,000 bales.

On December 9, 1925, the directors of the association passed a resolution recognizing the existence of a surplus of some 300,000 bales of low-grade cotton and stating that the association was prepared to lend as much as $10,000,000 or more, if necessary, in financing the carrying of this surplus. The board authorized the management to make the following advances on cotton:

"Twelve cents a pound on low middling; 11 cents a pound on strict good ordinary; 10 cents a pound on good ordinary; 9 cents a pound on ordinary; 8 cents a pound on inferior or 'dogs.'"

But the loans were adjusted on February 15, 1926, to conform with the following schedule:

"Nine cents on strict good ordinary; 8 cents on good ordinary; 7 cents on ordinary; 6 cents on inferior or 'dogs'; 4 cents on 'no class.'"

That is practically the market price existing at that time for this low-grade cotton.

Mr. ASWELL. Is that all long-staple cotton?

Mr. BLEDSOE. That is all long-staple cotton. It amounted to practically 60 per cent of the spinnable value of the cotton based on the selling value of the high grades.

A full page advertisement to the Delta farmers telling of the resolution was run in the Memphis Commercial Appeal on December 15, 1925, and an advertisement was run in the New Bedford Sunday Standard on December 27, 1925, advising the mills of the action of the association.

Ninety-seven thousand three hundred and fifty-five bales of this cotton were received by the association and placed in the surplus pool. An average advance of 8.64 cents per pound was made on the cotton at the time of delivery. All low grade delivered during the late fall and winter of 1925 was placed in the surplus pool, and deliveries continued in volume until the middle of April, 1926.

No distribution of sales was made on this cotton until August 10, 1927, the cotton having been gradually disposed of in increasing volume during 1926 and 1927, an interval of 21 months, as follows: 17 per cent by May 1, 1926; 22 per cent by September 1, 1926; 27 per cent by December 1, 1926; 43 per cent by May 1, 1927; 100 per cent by September 1, 1927.

A considerable amount of cotton of like grade which appeared in the 1926–27 crop retarded the liquidation of the surplus crop. Total Delta receipts for 1926–27 were 862,948 bales. The total association receipts that year were 235,523 bales. Sixty thousand three hundred and three bales were low grades. These 60,000 bales were sold in 1926–27 at the same time that the bulk of the surplus low grades was sold. The 1925–26 surplus crop would have been disposed of months sooner if the crop of 1926–27 had not consisted of a large per cent of low grades.

On September 29, 1927, final settlement was made with the members who participated in this surplus pool. The average price secured by the association from the sale of the cotton amounted to 13.55 cents per pound, a gross profit of 4.91 cents per pound. The average weight of the cotton was 477 pounds per bale, so that the gross profit amounted to $23.42 per bale.

Charges for carrying the cotton were as follows:

Interest, $1.43 per bale, or $2.21 per $100 of value; insurance, 65 cents per bale, or $1 per $100 of value; storage, $3.55 per bale; association's expense, 97 cents per bale, or 1½ per cent of gross products. Total cost per bale, $6.60.

The amount of the loss in weight was charged directly against the sales and reduced the actual sales price of the cotton somewhat. It averaged 6 pounds per bale, or 92 cents per bale, which increases the total cost of handling the surplus crop to $7.52 per bale. Normally, there is no loss in weight of shipping cotton.

I want to call your attention to the method of handling that. We opened our surplus pool to all growers, irrespective of membership. We advanced something over $4,000,000, and the growers received a net profit on the operation of $2,300,000. We invited all growers in, with the right of withdrawal before the next season started.

I want to call your attention to this fact, that during 1925, when we were receiving this low grade of cotton, you will notice there was not a surplus of cotton, as shown by the New York Cotton Exchange prices. Our surplus was in low grade staple, and they were selling at a discount of from 1,000 to 1,200 points off of the future market in New York.

When we have an excess surplus market of cotton because it is being hand-picked, it stays in the field longer, and therefore our surplus is all of a low-grade variety, which requires special marketing facilities and ability to get rid of that low grade cotton.

We advertised with the mills, and they became interested. We advertised in the New Bedford Standard and put our salesmen in touch with the mills and shipped some of this cotton to the different mills in order to have them make a test on it to see if they could use it, because we were offering a good discount under the middling spot quotations in New York. We shipped some of it in 5-bale lots, in order to test its tensile strength in connection with the making of automobile tires. We offered to enter into contracts for 5,000 or 10,000 bale lots, delivered over 10 months, so that the mills could say if they wanted to go into the use of this low-grade cotton.

We had two pieces of hard luck. We received this cotton at 1,200 points discount under the future market, and the next year we had a surplus crop in short staple as well as long staple. This produced a surplus in the staple cotton in these two years. In spite of that we were able to carry this cotton over and merchandise it by coming in contact with the mills and supplying them with what they could use until September 1, 1927.

We had another mishap when the overflow hit us, and we lost a lot of our cotton; and we had to settle with the insurance people at the market price on the day it happened, which was April 22, 1927.

But at this time Mr. Hoover got in there with his Red Cross work and we sent out checks to these people in the overflowed district with something like $1,800,000, and it saved a lot of them financially.

I want to call attention to this operation and make it a part of the record, because this is the only case I know of where a surplus has really been handled in that way.

Mr. ASWELL. Was the million dollars for insurance?

Mr. BLEDSOE. We had to collect nearly $3,000,000; I think most of our Liverpool friends got that.

Mr. ASWELL. What was the million dollars you sent to the growers for?

Mr. BLEDSOE. The profit on the operation of $2,300,000, and about $1,800,000 went into the overflowed district. We had this stock of cotton insured against fire and overflowing rivers and other things.

I want to call your attention to the price of cotton from 1908 to 1909 and from 1927 to 1928, with the price adjusted before the war, and the price after the war. You will notice we had a surplus in 1911. The crop of 1911 was 15,656,000 bales, and the carry-over was 2,531,000 bales, making a total supply of 18,187,000 bales.

In 1914 and 1915 when the war crop was on the exchange was closed and prices did not recover the normal level for 14 months. In 1920–21 there was the deflation period, and prices declined and did not come back to the normal level for 10 months. In 1926–27 prices declined, and it was 10 months before normal conditions existed again. There were four times from 1908 to 1927 when we suffered from surplus production, when the market broke below the average. The average price is around 20 cents during that period of years.

What we want is to remove the excess price, say of 1922–23 and 1924–25, and prevent the losses that occurred during the depressed periods and stabilize the price at the world level. When prices get above the 20 cents there is quite a tendency to increase production in various foreign countries. We want to produce the bulk of the cotton for the world, like we have always done, and it takes price to do that. The one thing the cotton man wants is stabilization. He goes broke about four times in 20 years.

It is assumed that the committee in dealing with this problem is attempting to frame legislation that will benefit all producers and that will encourage farmers to become members of cooperative associations. It is not a sound plan, as I see it, to have the benefits extend only to farmers who are members of associations which hold stock in stabilization corporations, or to individual stockholders of such corporations.

In view of the data I have presented to the committee and from the experience of the Staple Cotton Cooperative Association in handling surplus, I wish to present a concrete plan for the handling of the surplus of nonperishable products. In my opinion this plan possesses the following definite advantages:

1. It will benefit all farmers, and will offer inducements for all farmers, regardless of their size or financial condition, to become members of cooperative-marketing associations.

2. The plan is safe both from the standpoint of the proposed Federal farm board, and the associations or stabilization corporations which may operate thereunder. The possibility of loss, even during the early years of operation, is minimized. Provision is made for adequate reserves, so that after a few years of operation even this slight possibility is eliminated.

3. This plan will not tend to encourage increased production.

4. Finally, under the plan no loans will be made by the Federal farm board either to cooperative associations or stabilization corporations for the purpose of holding surplus products.

The plan in brief is this:

Advisory commodity committees shall be elected by the various commodity groups to advise and confer with the Federal farm board. The board, in my opinion, should have broad general powers, so as to enable it to carry on the operations proposed in this plan and such other duties as may be considered necessary and advisable. Whenever in the opinion of the board, acting with the advice and assistance of the committee representing the commodity under consideration, a surplus of such commodity exists, so that prices are depressed more than an offset for carrying charges below the average normal level for the commodity, the board shall declare that an emergency exists in the marketing of the commodity. The following procedure shall then be adopted:

1. The board shall enter into an indemnity contract with cooperative associations and stabilization corporations handling the product whereby these agencies shall be insured against loss due to a decline in price, premiums, or discounts to the extent of their advances to farmers, and all carrying charges during the period of the emergency, including interest, insurance, storage charges and loss in weight.

The associations operating under the plan will set up a surplus pool which any grower can join with the privilege of withdrawal. In other words, he need not become a member of the cooperative except for the purpose of having this surplus crop marketed under this plan, unless he so desires. The associations will make advances to growers upon delivery of their products to the surplus pools at a rate based upon current market value and approved by the board, with proper differentials for grade and quality factors. Such part of the product as it is desired to include in the stabilization program will then be warehoused and withdrawn from the market. After the emergency period has passed and the surplus is marketed, all profits, less expenses and necessary reserves, will be returned to the growers who delivered to the surplus pool in proportion to the quantity and grade of their products.

Loss to the association or stabilization corporations will be prevented under the insurance of the Federal farm board. For this insurance the associations shall pay premiums based on the risk involved, which shall be paid from the profits of the operation; and from moneys received as premiums the Federal farm board shall set up a reserve fund to meet possible future losses under the insurance plan.

2. The Federal intermediate credit banks shall be authorized to lend cooperative associations and stabilization corporations up to 97 per cent of the current interior market value on warehoused products which are insured by the Federal farm board. Legislation which is necessary to enable the intermediate credit banks to make such loans should be a part of the farm-relief program. With insurance such loans can be made without risk to the banks. The grower under this plan receives the total amount of the loan from the intermediate credit bank on his product, 97 per cent of the interior market price. The remaining 3 per cent is his contribution to the operating expenses and capital of the association, and adds a further margin to protect the loan.

The central thought in this plan is to utilize to the fullest extent agencies that are already in existence, such as the intermediate credit banks. The plan also will make it unnecessary for the Federal farm board to engage in the business of lending money on warehoused

products and will avoid the employment of many experts which would be necessary to carry on this business. I believe it will keep the Government out of business. Instead the business will be carried on by cooperative business organizations with the guidance and support of the Federal farm board. These organizations are already in touch with the markets and with their customers. They have built up good will over a period of years, and have the experience and trained men necessary to carry on efficient marketing.

Mr. ASWELL. Who would pay the premiums on the insurance, Mr. Bledsoe?

Mr. BLEDSOE. The producers.

Mr. ASWELL. Where would they come from?

Mr. BLEDSOE. Out of the profit of the operation.

Mr. ASWELL. Suppose there is no profit.

Mr. BLEDSOE. The premium would be a loss.

Mr. ASWELL. To whom?

Mr. BLEDSOE. The farm board.

Mr. ASWELL. Then, your proposition is that the Federal farm board would be responsible?

Mr. BLEDSOE. For that charge; yes; for the premium. In the case of the stabilization corporation they would take all the risk and receive none of the profits.

Mr. ASWELL. And what risk do you think the farm board would have to assume?

Mr. BLEDSOE. If you will wait until this commodity is below the normal average price to the extent of the carrying charges; you have already discounted it; and your carrying charges will come back in the advance in price on the product.

Mr. ASWELL. How much money do you estimate that the Federal farm board would have to set aside for this operation?

Mr. BLEDSOE. Flood insurance and fire insurance contracts are covered by companies which, I reckon, have a hundred million, on the average. They are underwritten by a big bunch in New York, and then Lloyds gets in on it. I should say they have a hundred million to cover the fire and flood hazards.

Mr. ASWELL. Perhaps I did not make the question clear. How much money would the Federal farm board have to set aside to handle your proposition?

Mr. BLEDSOE. I would not set any aside. Use the whole revolving fund to guarantee contract.

Mr. ASWELL. If you would lose some, where would it come from?

Mr. BLEDSOE. If the stabilization corporation was set up and you bought the product outright, and you have a loss without any remuneration, you would have a 100 per cent loss. In this case it is only 97 per cent. In other words, you have insured it, covering storage and carrying charges and interest.

When you invest your money in a product, or loan your money at the full market value, you have already taken these risks, and then you have taken the risk of lack of business judgment also. You have taken all those risks that have been enumerated, so when you have removed this risk you have removed all bankable risks, so far as the commodity is concerned.

Mr. ASWELL. It is not clear to me and never has been clear what the value of this insurance plan is to the cotton producer. I have

never been able to see the definite value it would be to the farmer, if you adopt this policy.

Mr. BLEDSOE. Maybe this will answer you. You are insured against a decline in price over a series of years, and if you will follow the market you will find what the record is, as I gave it to you in Thirty Years' Experience on the New Orleans Cotton Exchange. At the time of delivery there will not be a decline in the price, but it is a matter of actuarial experience to say what the loss ratio is.

If there is a case of distress and the market is declining below the average market level, and it declines more than enough to take care of the storage, insurance, and interest, there would not be any speculator to step in, and when it declines enough below the average level to take care of all the charges, then you have an incurable proposition.

In the case of a stabilization corporation you assume all the risk—100 per cent—and you get none of the profit. In this case you do not loan money; you do not deal in money; you issue a contract only. You get a charge or a return for that contract, and that charge for that contract should over a series of years build up a reserve.

Mr. ASWELL. You think that should apply to all cotton, short cotton and all?

Mr. BLEDSOE. Yes; it will work out on short cotton better than staple cotton.

Mr. ASWELL. How much would the board be involved by handling the whole cotton crop?

Mr. BLEDSOE. I would say the board would be involved more in handling it through the stabilization corporation without any revenue than it would be involved in handling it this way with a revenue. I think the risk is greater with the stabilization corporation. The grower has in this case taken out his cost of 3 per cent to pay his overhead expenses and other charges and has paid a legitimate charge for the service.

The board takes the responsibility for all losses when you buy a commodity on the market—storage, insurance, interest, loss in weight, difference in grade, and then the overhead expenses also.

In this case, with a revenue, they issue an indemnity contract against loss; in the other case they would have to assume these same risks without revenue. Do I make that plain?

Mr. ASWELL. It is not clear to me why the stabilization corporation would be responsible for all of it unless they paid 100 per cent value.

Mr. BLEDSOE. The stabilization corporation would be responsible for everything, including storage, insurance, interest, and price decline.

Mr. ASWELL. Who would be responsible for the 97 per cent?

Mr. BLEDSOE. The commodity would be responsible.

Mr. KINCHELOE. Mr. Bledsoe, I do not know anything about cotton. I am thoroughly convinced that you and Mr. Stone are Lindberghs in your respective cooperative fields, and therefore I have a lot of confidence in what you may say.

I believe it has been said that 60 per cent of the cotton that is raised in the cotton-growing States is export cotton.

Mr. BLEDSOE. Yes.

Mr. KINCHELOE. You are in the same boat as the burley and dark tobacco people, and you do not think the tariff would help you?

Mr. BLEDSOE. Not on short cotton.

Mr. KINCHELOE. Outside of that, the cotton industry itself would not be protected much by the tariff?

Mr. BLEDSOE. The only thing the cotton industry can hope for is stabilization. We have to grow cotton for the world.

Mr. KINCHELOE. You are in somewhat the same boat as the tobacco people.

Mr. BLEDSOE. Yes; what we want is stabilization.

Mr. JONES. Mr. Bledsoe, would your insurance plan cover the entire crop, all of the cotton each year?

Mr. BLEDSOE. Oh, no; only that part that is reported for cover under contract.

Mr. JONES. Would you give the opportunity to every cotton grower to insure his cotton every year, if he would apply?

Mr. BLEDSOE. This is a surplus proposition I have put up here as regards storage, insurance, interest, and carrying charges.

Mr. JONES. Then would you only have that apply when there was a surplus that was very injurious in depressing the market?

Mr. BLEDSOE. Yes, sir; in this case.

Mr. JONES. You would not think it would be wise to have a general insurance proposition covering the crop each year, regardless of the price?

Mr. BLEDSOE. Oh, yes; on an average. There would be a different rate charged. But you would not be insured against storage, insurance, and interest, but on the price decline only in that case.

Mr. JONES. You would insure against price decline?

Mr. BLEDSOE. Yes.

Mr. JONES. But you would have a reserve or a margin to cover storage and interest?

Mr. BLEDSOE. If you had insurance against fire, tornado, and overflowing rivers, then you could borrow say 90 per cent of the value.

Mr. JONES. Then you would have the insurance feature cover all the crop each year, in so far as the individual growers wanted to take advantage of the insurance?

Mr. BLEDSOE. Yes.

Mr. JONES. You would give them an opportunity, that is, you would give an opportunity to each grower of the commodity at any time during his marketing season to insure the handling of his crop in this way by paying what was considered the amount of the premium running over a period of years?

Mr. BLEDSOE. Yes, sir.

Mr. JONES. In this 30-year period you speak of, how many different times has the all-the-year-round price exceeded the price during the actual selling season for the farmer?

Mr. BLEDSOE. I think the record shows in all except five or six.

Mr. JONES. That is during 24 or 25 years the all the year around average price has exceeded the price during the late fall months when cotton is usually sold?

Mr. BLEDSOE. Yes.

Mr. JONES. About what amount of insurance do you have? From your experience, how much per bale would be required to cover insurance?

Mr. BLEDSOE. I think a dollar a bale would set up an ample reserve. I think the loss figured 56 cents.

Mr. JONES. You think a dollar a bale would in all probability fully cover, over a 25-year period, all the losses that might be occasioned by price decline?

Mr. BLEDSOE. Yes; I think that should be left to the actuarial record of the commodity.

Mr. JONES. Yes; I think that could be worked on that basis in a thoroughly safe way.

Take these items of cost which you enumerated a while ago in reference to this surplus. Would that probably be a fair average for handling the surplus?

Mr. BLEDSOE. No; that figured $7.20. I would figure it at $10. I think that would be sufficient. I think that would carry it.

Mr. JONES. You would only have to use what was necessary.

Mr. BLEDSOE. Yes, sir.

Mr. FULMER. Is it your belief that under any legislation that might be passed by Congress, we can not expect very much success without organizing the agricultural interests?

Mr. BLEDSOE. Yes, sir.

Mr. FULMER. Therefore, it is your idea to try to write into this bill, and to have the board to do everything possible in the way of offering inducements to have farmers come into the organization.

Mr. BLEDSOE. Yes, sir. I would look upon this as a sound business proposition.

Mr. FULMER. For instance, if you had a surplus that would depress the price to the extent that you would like to establish a stabilization corporation, your success would depend upon getting the cotton into the corporation, because if they did not have it, and were not permitted to buy on the outside, you would fail in your plans. You would fail in the plan unless you could buy it from outside parties not members of your association, which you could not do unless they would come into the organization.

Mr. BLEDSOE. In the cotton situation, if we were going into a stabilization effort, I would propose to set up a surplus pool in the association and get outside growers to assist or participate in it, with the right of withdrawal, so that the outside grower would not only get the benefit of the effort, but he would get a profit. It would be just like we did in 1925 with the staple cotton pool.

Mr. FULMER. Could we do something like that so that the grower could get the benefit of the profit, while he is still on the outside, and not come into the association?

Mr. BLEDSOE. Yes, sir. It gives the cooperative a chance to render some service. They are not running a risk. It is just the same as if they paid for it.

Mr. FULMER. Does your organization render any service in any other way?

Mr. BLEDSOE. Yes, sir. We have a separate production credit corporation. We are doing two and a half million dollars of business in production credits this year.

Mr. FULMER. Is it not just as important to furnish production credit as it is to furnish a marketing system for the farm products?

Mr. BLEDSOE. In our community; yes, sir; but I am limiting my statement to staple cotton in my area. With regard to finances, I

know the conditions, and as I said, we did about two and a half million dollars of production credit business last year. We have not lost a cent in this operation.

Mr. FULMER. Do you think it wise to give power to the proposed board to assist cooperative associations in establishing buying agencies for the members of their organization? For instance, in the South where we have to buy fertilizer, would it be better to bring about collective bargaining power in that way?

Mr. BLEDSOE. The cooperative marketing association is only a seller. That is all we do. The staple cotton association receives cotton and sells it. Now, as I said, we have another cooperative within the staple cotton association. It has the same board of directors and practically the same officers. That cooperative is the one that does the production credit business. The cooperative marketing organization is the sales organization. That does our business in the marketing of cotton.

Mr. FULMER. You only assist in marketing and making loans to members?

Mr. BLEDSOE. Yes, sir.

Mr. FULMER. That really induces the people to come into the organization?

Mr. BLEDSOE. Yes, sir.

Mr. FULMER. The buying end, as well as the selling end, and also the production credits provisions, as well as your insurance scheme, offer the members or producers just so many inducements to come into the organization.

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. Your idea regarding the insurance feature is to insure each man that produces cotton covering the number of bales——

Mr. BLEDSOE (interposing). It insures the association against the cotton we have bought.

Mr. LARSEN. When is the cotton insured?

Mr. BLEDSOE. When it is delivered to the association.

Mr. LARSEN. Now, that would anticipate, I assume, that the association would have to hold this cotton in some bonded warehouse?

Mr. BLEDSOE. Why?

Mr. LARSEN. In a Government-bonded warehouse.

Mr. BLEDSOE. The insurer does not care what kind of a warehouse it is in, but it is interested in what kind of sprinkling system they have, and what the rate is.

Mr. LARSEN. They would want the cotton to be safe.

Mr. BLEDSOE. Safety is not guaranteed in this insurance contract.

Mr. LARSEN. It is against the price.

Mr. BLEDSOE. The price, storage, insurance, interest, and discount, which is the price.

Mr. LARSEN. Under that provision, the man who produced a bale of cotton could take it to the cooperative association, and they would take out insurance on it.

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. And they would advance to him about what per cent?

Mr. BLEDSOE. Ninety-seven per cent.

Mr. LARSEN. Of the actual market price of the cotton?

Mr. BLEDSOE. The interior price, with a proper freight adjustment.

Mr. LARSEN. They would give him the price, less 3 per cent, at the point where he delivers the cotton?

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. Let us use a practical illustration. Here is a bale of cotton that weighs 500 pounds, and the market declines to where it is 12 cents per pound, or $60 per bale. You advance how much on that bale of cotton?

Mr. BLEDSOE. Do you mean if this were a bale of middling cotton?

Mr. LARSEN. Yes; and the price was 12 cents per pound.

Mr. BLEDSOE. It would amount to $1.80, to take care of the overhead expense, and so forth.

Mr. FORT. It would be $1.80, would it not?

Mr. BLEDSOE. Yes, sir; $1.80.

Mr. LARSEN. A man, regardless of whether he be a member of the association, could take his cotton and put it up with the cooperative association.

Mr. BLEDSOE. He would have to become a member of the association.

Mr. LARSEN. He is simply a member of the association participating in the bale of cotton he puts up?

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. And he could withdraw at any time he wanted to?

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. He could simply say, "I am out," and withdraw.

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. What does he have to do then?

Mr. BLEDSOE. Nothing.

Mr. LARSEN. He gets $58.20 and if he so desires gets out.

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. You give him the money at the time he delivers the cotton?

Mr. BLEDSOE. And more than that, if there is any profit.

Mr. LARSEN. If the cotton went to 15 cents per pound, he would get the benefit of that advance?

Mr. BLEDSOE. He would get the pool price, less any carrying charges.

Mr. LARSEN. As a matter of course, if he went into the pool, it would be because he would rather put it with the pool and take chances on getting 15 cents than to sell it to an independent buyer at the prevailing price?

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. And if the cotton went to 8 cents per pound, it would not make any difference to him or to you, because you would have the insurance. You would be protected and he would be protected by the insurance.

Mr. BLEDSOE. I do not think the cotton would be sold under those conditions.

Mr. LARSEN. But, no matter what happened, you would be protected and he would be protected?

Mr. BLEDSOE. The insurance contract should provide that no claim can be made unless it is sold by and with the consent of the insurer, when sold at a loss.

Mr. LARSEN. Suppose the insurer, which would be the Government in this case, says, "This is a condition that has existed over a period of years, and we think it would be better to sell this cotton." Of course, it would not make any difference to you because you could not lose on it anyway.

Mr. BLEDSOE. That is true. We would have paid for our risk.

Mr. LARSEN. And the producer would have been paid for his cotton.

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. If you could do that with a staple product like cotton, why would not the same thing work as to other staple products?

Mr. BLEDSOE. If you will leave me with cotton, I am at home.

Mr. LARSEN. Can you see any difference in the principle?

Mr. BLEDSOE. No, sir; not where you have an exchange with quotations like you have in cotton, with a discount and premium in the different markets all over the South.

Mr. LARSEN. I asked those questions because some of us are not experts in anything except in drafting bills and asking questions. We have got to prepare some character of legislation. Now, so far as you can see, as a business man, it looks as if it would work as to any product, does it not?

Mr. BLEDSOE. If I should obtain a contract from the Federal farm board, I could get the money on the contract. If they have enough money behind the contract, I could do the business very readily. The Federal farm board should get a revenue out of it over a series of years. They should charge a rate that would cover all contingencies.

Mr. LARSEN. Is it your idea that when this legislation is written, there should be some clause in it that would empower the farm board to investigate as to insurance feature and set up that sort of machinery?

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. Would you empower them to do it?

Mr. BLEDSOE. Yes, sir; make the power broad enough for them to do it.

Mr. LARSEN. Of course, it must be broad enough to give them that power.

Mr. BLEDSOE. Yes, sir.

Mr. LARSEN. I want to say to you, Mr. Bledsoe, that I think your scheme is feasible.

Mr. BLEDSOE. So far as cotton is concerned; yes, sir.

Mr. LARSEN. I can not see any reason why it should not work on anything else. The actuaries could figure what would be the proper rate.

Mr. BLEDSOE. Yes, sir; the proper charge for insurance.

Mr. FORT. Mr. Bledsoe, I will not get into a discussion on your insurance plan with you because I have only five minutes, but I will ask you this: Do I understand that it is a part of this plan that the premium should not be paid until the operation is finished?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. Why should not there be deducted from the price of a bale of cotton the price of the insurance premium?

Mr. BLEDSOE. The reason is this: You would reduce the original advance to the grower that much more. I suggest taking out 3 per

cent to cover the operating expenses and the capital of the association. It costs on an average 1½ per cent to operate, and I want to leave 1½ per cent as a further margin.

Mr. FORT. That is the only kind of insurance that I know of where you gamble on the premium.

Mr. BLEDSOE. Yes, sir.

Mr. FORT. You also give him a kind of insurance that is not otherwise procurable?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. Would it be possible to operate that particular plan, as you have outlined it here, without the board really fixing the price?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. It must fix the price at which it will sell the cotton?

Mr. BLEDSOE. No, sir; there is a daily price.

Mr. FORT. You said that they would not insure until there was a decline?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. Then it must fix the decline in the price by——

Mr. BLEDSOE (interposing). They will not enter into a contract with you until the decline has taken place.

Mr. FORT. Then they must fix the point at which they will begin to insure?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. You also want them to fix the point at which they will allow you to sell?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. Is not that pretty close to fixing the price for this thing?

Mr. BLEDSOE. No, sir; I would not say so. I would not want either party to take a loss.

Mr. FORT. I want to ask one or two other questions. You and I will have to talk insurance some other time. I am not sure that there is not something of possible value in the insurance proposal, with some changes; but I think if we are going to draw any legislation that permits it, it ought to contain a definite provision for the payment of premiums and also for the calculation of premiums on an actuarial basis.

Mr. BLEDSOE. Do you not think the board would do that?

Mr. FORT. It ought to be compelled to do it.

Mr. BLEDSOE. If you do not put anything in the legislation, but give it that power, that would be all that I would want.

Mr. FORT. You would want the premium to be actuarially computed?

Mr. BLEDSOE. Yes, sir; I want it to be a sound business proposition. I would want the stabilization fund that the farm-loan board handles to back the contracts. I want it to back that contractual relationship, so the cooperative can do any borrowing or lending. I want the intermediate credit banks back of it with their money, and I want the farm board given a reserve to take care of losses. Then I would want the grower to get the full benefit of all of it and not the stockholders of a stabilization corporation.

Mr. FORT. Not the stockholders?

Mr. BLEDSOE. Not the cotton stabilization corporation stockholders. I would prefer that the individual growers get the benefit. I would give them the profit.

Mr. FORT. You operated a few years ago what was in effect a stabilization proposition for the growers of staple cotton.

Mr. BLEDSOE. Yes, sir.

Mr. FORT. So far as you know, that is the only proposition of that sort that has been handled?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. In that you did not lose money but made it?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. You had an abnormal surplus when you began?

Mr. BLEDSOE. Yes, sir; and a tremendous surplus the next year.

Mr. FORT. Of course, it all comes back to the question of management.

Mr. BLEDSOE. Yes, sir.

Mr. FORT. If you could have the proper management, do you feel that this board should have the power to go ahead and do these things of its own accord, or should it wait until it was asked to do them by the cooperatives?

Mr. BLEDSOE. I would say let the association approach the board, so far as we are concerned.

Mr. FORT. You do not want the board to have power to step into your market unless you call on it?

Mr. BLEDSOE. No, sir. When they went into contractual relationship with us, then they should have some power to say as to how we did it.

Mr. FORT. Do you belive that all cotton should be dealt with as a unit or should it be split as between types?

Mr. BLEDSOE. I think it should be split. I remember that we had a surplus of staple cotton in 1925 and a big surplus of short and staple cotton in 1926.

Mr. FORT. Should the board, in dealing with the representatives of cotton, first divide the commodity into staple cotton and short-staple cotton?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. So the board should have the power of splitting——

Mr. BLEDSOE (interposing). As between staple cotton and short cotton.

Mr. FORT. You spoke of the success of your organization, which we know is notable. It has been testified by one of the leading cotton textile manufacturers in the country that that is in part due to standardization.

Mr. BLEDSOE. Yes, sir.

Mr. FORT. And it is in part due to the fact that you have cooperated with the balance of the cotton trade.

Mr. BLEDSOE. Yes, sir; with the mills.

Mr. FORT. Your method has been to sell it to the mills rather than to use the futures market?

Mr. BLEDSOE. Yes, sir; to keep in close contact with them.

Mr. FORT. You heard Mr. Stone's testimony about the necessity for cooperation in his business?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. Do you agree with that?

Mr. BLEDSOE. Yes, sir. I would like to add this, that when our cotton commences to come in, and we see that the kind of cotton that some of our regular customers require will not be produced sufficiently

to meet their demands, we notify them, and tell them to look to other shippers, because we will not be able to supply all their needs. We give them that advance information, and tell them that we can not furnish all of that kind of cotton that they need, so that they can make contact with some strong firm who may be able to supply it.

Mr. FORT. In the setting up of the trade committees, or advisory councils, do you think it would be wise to provide for representation on them by others than the producers?

Mr. BLEDSOE. Yes, sir. I would say in our case that it would be the mills.

Mr. FORT. Do you think that would be desirable?

Mr. BLEDSOE. I think it would be desirable.

Mr. FORT. Did you hear Mr. Wells's statement about the necessity of operating any financial provision that we might put in here, for loan purposes, on strong banking lines?

Mr. BLEDSOE. Yes, sir.

Mr. FORT. What is your view as to that?

Mr. BLEDSOE. My view is not to have the farm board to do any loan business at all. I think if you would give me a contract, I could go out and borrow the money that was required through regular channels.

Mr. FORT. You believe that it should be done on a banking-business basis?

Mr. BLEDSOE. Yes, sir. I feel that they should not go into the loan business.

Mr. FORT. Mr. Bledsoe, the other day Mr. Amory, of the cotton people, testified that the cooperative association had been of great assistance to the cotton-textile industry. Have you found that the cotton trade as a whole was ready to cooperate and play ball with the cooperative association?

Mr. BLEDSOE. The mill trade plays fair. They have been the best friends we have.

Mr. NELSON. Mr. Bledsoe, I have been listening with a great deal of interest to what you and Mr. Stone had to say with reference to your special crops. I am always in doubt as to whether any plan of the board which might be set up under the Government would work in connection with general farming. I represent a general farming community in central Missouri. Our people formerly sent mules in large numbers to your section, as you know, and we feel that the prosperity of the cotton farmer would mean more prosperity for us. The farmers in my district produce hogs, corn, and wheat, and I do not know just how they would get into this picture. I would like to have your thought on that.

Mr. BLEDSOE. As I told you gentlemen, if you leave me with cotton I am at home. My knowledge of those other products is limited. The only actual knowledge I have is with reference to cotton. I will answer you in this way: I think that this plan that we have proposed will work on all commodities that have an exchange, where you can get an actuarial basis of what has happened over a series of years.

Mr. NELSON. But you do feel there would be some difficulty in applying it to general crops?

Mr. BLEDSOE. It could be applied to all crops that have an exchange like corn, wheat, oats, barley, and rye. It would apply to commodities having a futures market.

Mr. NELSON. Would you bring the livestock farmer into it?

Mr. BLEDSOE. You have no future market in livestock. You must have an actuarial record covering a period of years. You must have an exchange. The record can be checked carefully. You could not go into any commodity like livestock where you do not have a futures market.

Mr. ADKINS. I think you have covered the cotton situation pretty well. I do not have any questions.

Mr. JONES. I would like to ask a few additional questions: You spoke of preferring financing cotton through regular commercial channels. What rate of interest do you have to pay through those channels?

Mr. BLEDSOE. I pay 5½ per cent through the Federal intermediate credit banks this year. I have had some money at 5½ per cent, but in New York we do some business with the Guaranty Trust Co. and the rate now is about 6 per cent, on account of a temporary situation.

Mr. JONES. Are the facilities of the intermediate credit banks sufficient, or are their terms flexible enought to enable you to handle your situation through them?

Mr. BLEDSOE. I would not change the terms unless I could have a contract that would protect them from loss.

Mr. PURNELL. On behalf of the committee, I want to thank you for your statement.

## STATEMENT OF J. W. SHORTHILL, OMAHA, NEBR., REPRESENTING THE FARMERS NATIONAL GRAIN DEALERS' ASSOCIATION

Mr. PURNELL. Please state your name and whom you represent.

Mr. SHORTHILL. My name is J. W. Shorthill, of Omaha. I am secretary of the Farmers' National Grain Dealers' Association, and am also secretary of the Farmers' Elevator Association of Nebraska.

I think I shall be very particular to try to save all the time of this committee I can, for two reasons: One is that I never knew a group of men who had such unlimited patience as you gentlemen have, and the other is that I do not want to get confused in my statement by spreading out too much.

First, I want to say that the farmers' elevators of this country are not coming to Congress for a whole lot. The grain farmers of this country have received very valuable aid from Congress. I will mention one or two of those things. One has been the grain standards act. That has been very beneficial. It was real constructive farm legislation. Another has been assistance in cooperative marketing.

Not so long ago the farm representative came to Washington and asked for the creation of a division of cooperative marketing in the Department of Agriculture, and that division was created, and has done and is doing a splendid work. We hope that work will be continued, because it is a promotional thing and an educational thing. Before I leave that point, I want to expand that by saying that we hope that whatever may be done by this Congress in connection with a farm board, will not interfere with, but will keep in mind the work that is now being done along that line by the Department of Agriculture. We are not asking for any money for promotion in any sense of the word, while in another sense of the word we are. Let

we illustrate that: A few years ago, as I understand it, the maple sirup producers of New York wanted to organize the marketing of their product. They got a professional organizer to bring about the organization, and the results were unsatisfactory and, in fact, in the end, were disastrous. The maple sirup producers of Vermont also also desired to form an organization to market their product, and they called on the people in the Department of Agriculture to make certain surveys for them. Those people made those surveys, and found both where they could market their product and found out for them what they needed. That is, they found out for them in what form the public would buy their product. Then they started from that basis, and with that knowledge before them, they have been successful, so far as I know, ever since. Their growth has been gradual, but certain. Now, that is the kind of promotion work and that is the kind of educational work that we should like to see continued, and we hope that it will be taken care of in whatever arrangement you may make.

Now, the farmer elevators could use to advantage some credit. Some of them need credit. In fact, a considerable number of them have to borrow. The advantage that might accrue from this would not be in the matter of more liberal terms of credit, except in the matter of interest rates, and this money that the Government would advance to cooperative marketing organizations should be advanced on adequate security.

The Government should not be expected to take a hazardous risk in financing any farmers' cooperative elevator company.

Now, with those two things, we have about concluded all of the things that we are asking for.

I want to say what I personally think about it. You can throw it away if it is not worth anything, and if it is, you can take it for what it is worth. It is my own personal opinion.

I hesitated to come down here because we have already had three men from our organization here, and they have told you, as other people have, what the organization desired. But personally it is my opinion that we ought to have a Federal farm board. We have had country life commissions; we have had committee investigations, and we have had all sorts of things. You have held hearings before this committee for something like six years, I think, and have gone over this agricultural proposition; and now it is about time that this country should take some decided step to launch a positive agricultural program in a permanent way. It seems to me that that is the thing behind this whole proposition.

Now, I must call your attention to the fact that I come from a territory that is different from a lot of the territories that have been represented here. It is a large territory, which is concerned in the same thing. It is not a small territory. It is a territory that is concerned in diversified farming, not in some special crop. The conditions there are very general. One different condition that we find is that in the territory the farmers themselves are the largest consumers of some of the crops that they raise. That makes an entirely different situation, which makes it more general, and makes the problems entirely different.

In that district I have not the slightest hope that a complete solution of the cooperative-marketing problem will solve the farm situation.

It seems to me that there has been a little too much emphasis placed on two things before this committee. One of those things is attention to the temporary situation. I am not saying that it ought to be ignored, but I am saying that too much emphasis is being placed on it. If we set up some plan to solve the temporary situations, we have nothing else to go along and balance up the program. Out in our territory, at least, we are liable to be continually called on to settle temporary propositions.

The next thing is that it seems to me that undue emphasis is placed, not on the importance of cooperative marketing, but on what cooperative marketing will do. We must have that. We need it. We have two systems of marketing in this country, the cooperative system and the competitive system, and I never expect to see the time when we will not have a continuation of those two systems of marketing. I doubt if the time comes in the life of any person here when one of those systems will entirely supplant the other. But if there were some way, as I have said, for our big central grain-producing territory to completely solve the problem of cooperative marketing, it would not solve the farm problem. So, while I am interested in solving these temporary crises, if we may call them that, and while I am interested in cooperative-marketing improvement, yet I am far more interested in something larger and beyond, and that is that this country should set about, in a certain way, to establish a permanent policy for agriculture.

It seems to me that that is the first province of this farm board that you propose to set up. Some of the things that it will do will be to contribute to the solution of these temporary questions, and to the promotion or encouragement of cooperative marketing.

Before I finish I would like to impress upon you what I think is the very first thing to which the most importance should be attached right now, in the beginning of the work of this board.

In this rambling way I want to call your attention to some of the things which I think this board should not do.

I do not think it should be permitted to loan money, although I believe that no loans should be made without its approval, in view of the things which this board will have in charge. I have in mind three things: That this board should approve the credit on which a loan is made; that it should approve the character of the organization to which the loan is made; that it should be satisfied that the organization is able to conduct a successful business. There might be some other minor things. But it should lend and be required to lend its approval on those things. It should not lend or approve the loan of money for promotion expenses, other than those promotion activities which I have tried to describe to you.

I regard any assistance for a cooperative that will help it to improve its method of doing business, or correct mistakes in its organization, as promotion work. But this board should never approve the loaning of money for promotional work which means to go out and compel or persuade a farmer to belong to a cooperative marketing organization and patronize it; and I will tell you why.

The trouble we have with the farmer to-day is that he himself does not take enough active interest in his own organization. That is the biggest battle we have in every cooperative organization. Since that is true now, the more somebody from the outside comes in and does

things for him, the less interest he will exercise in that organization. And I want to call your attention to the fact that the soundness of any cooperative organization must rest on the interest of the farmers that belong to that organization. If it is builded on anything else, it is doomed to failure, because compelling and coaxing will never make a success out of anybody's cooperative organization.

I will try to make that clearer to you in this way: Of what does cooperation consist, anyway? It consists of 1 per cent plan and 99 per cent working together. You have only got the 1 per cent to work on when you go to help the farmer in his cooperative organization, and that is the reason that you may do more damage by trying to work from the outside than you will accomplish in the way of help.

I do not believe I am going to take any more time except to say this: I think, if you hold these hearings for the next six years, you will not have arrived at a plan which will be very forward-looking. I do not think it can be done. And, in saying that, I have all respect to whoever might be here now or at any time in the future; because who knows what those conditions are going to be that will confront cooperative organizations until those conditions have at least begun to appear? It seems to me that this board must be created, and then it must be clothed with authority so that it can meet those situations as they come up.

Mr. PURNELL. Your time has expired.

Mr. SHORTHILL. I thank you very much.

Mr. FULMER. Do you believe that the creating of a board will be the last word so far as helping the situation is concerned?

Mr. SHORTHILL. So far as this Congress can go, creating the board and providing some financial assistance; probably so. I mean so far as this particular committee is concerned.

Mr. LARSEN. There is only one point that I want to ask you about. It was not exactly clear to me whether you expected the Government to loan money for any purpose.

Mr. SHORTHILL. Oh, yes.

Mr. LARSEN. What board was it that you said should not be empowered to loan money?

Mr. SHORTHILL. This board that is to be created.

Mr. LARSEN. The farm board?

Mr. SHORTHILL. Yes, sir.

Mr. LARSEN. How is the money going to be loaned by the Government, then?

Mr. SHORTHILL. I think it should be loaned through the regular Government banking channels.

Mr. LARSEN. You mean through the intermediate credit banks?

Mr. SHORTHILL. Yes, sir.

Mr. FORT. Mr. Shorthill, how many farmer elevators are there that are members of your association?

Mr. SHORTHILL. There are about 2,500, Mr. Fort, in all of the States.

Mr. FORT. And they are members of your association?

Mr. SHORTHILL. Yes, sir.

Mr. FORT. How much wheat do they handle?

Mr. SHORTHILL. I could not tell you how much those 2,500 handle. The entire movement, as the Department of Agriculture has reported on a basis of its survey for 4,000 farmer-owned elevators, is 550,000,

000 bushels of grain. That is not separated into the different grains so that I can advise you what the number of bushels of each kind is.

Mr. FORT. Five hundred and fifty million bushels that are handled through farmers' elevators?

Mr. SHORTHILL. Yes, sir.

Mr. FORT. And that is all kinds of grain?

Mr. SHORTHILL. All kinds of grain.

Mr. FORT. Are those elevators all cooperatively owned?

Mr. SHORTHILL. They are all farmer owned. Some of them were started 50 years ago, before the cooperative idea was in existence; but they are all operated for the same purpose and controlled by the people in the same way.

Mr. FORT. What is their method of handling grain? Do they buy it?

Mr. SHORTHILL. Yes, sir.

Mr. FORT. Or do they store it for the farmers' account?

Mr. SHORTHILL. They buy it and store in some few instances to a limited amount.

Mr. FORT. Mr. Shorthill, assuming that we set up a board with very broad powers, is it your feeling that we ought to have the board exercise those powers on its own initiative or at the request of representatives of the commodity?

Mr. SHORTHILL. My notion of the board, Mr. Fort, is that it should be very much more than a marketing board. On the marketing problems it should not take the initiative but should first consult with the cooperatives and act on their request. On many, many other very important things, for instance in working out and establishing a land policy, it should work on its own initiative.

Mr. FORT. You feel that the board should be a general policy board for all agricultural products?

Mr. SHORTHILL. I certainly do. I think we need a board of that kind to direct the activities of this Government to the establishing and carrying out of an agricultural policy which is really needed in a territory such as we have in this great Central West.

Mr. FORT. And to communicate its decisions to the farmers for them to act on?

Mr. SHORTHILL. Yes, sir.

Mr. FORT. Should that policy embrace forestry, reclamation, and things of that sort?

Mr. SHORTHILL. Yes, sir; forestry and reclamation. In fact, a land policy should be the first thing, to my mind, on which that board should launch its activities.

Mr. FORT. What do you mean by a land policy?

Mr. SHORTHILL. I mean a general policy as to how agricultural lands and those that are related to agricultural lands should be used; the marginal lands, the forest lands, the reclaimed lands, and the lands that are under cultivation.

Mr. FORT. And the lands in the public domain?

Mr. SHORTHILL. Yes, sir.

Mr. FORT. And you feel that in that way you can work out a gradual betterment of the condition of agriculture, and not merely a temporary relief; is that true?

Mr. SHORTHILL. Yes, sir. I am not objecting to these temporary matters, but I am claiming that the other is the big thing.

Mr. FORT. You mean that you do not want us to make this board just an emergency relief board?

Mr. SHORTHILL. No; and I do not want to see it made just a marketing board.

Mr. FORT. But a general policy board for all agricultural products; is that your idea?

Mr. SHORTHILL. Yes, sir. About 40 years ago we saw that we had a railroad problem, and we at that time began the establishment of a railroad policy. It was done in very simple terms at that time. The railroads were forbidden to make unfair charges or unreasonable charges; they were forbidden to discriminate; they were forbidden to charge more for short hauls than they did for long hauls, and a few simple, very evident things like that. From that our building of a railroad policy began. Now it is far different from that.

Mr. FORT. And you think the same thing will happen to agriculture with the proper regulation?

Mr. SHORTHILL. I think it should.

Mr. FORT. How would you select any proper representation to deal with this board?

Mr. SHORTHILL. That would be a matter that should be under the cooperative. The initiative, as I have said, should be with the cooperative if it is a marketing problem.

Mr. FORT. We have heard something to-day from two or three witnesses about the desirability of embracing in your representation some factors in the trade in order that a complete picture of the commodity can be gotten. What do you think about that?

Mr. SHORTHILL. I think there are very different conditions in dealing with different commodities. Our grains, for instance, are largely marketed on the central established markets, and I believe those markets for grains must be preserved. I believe they must be continued. I can not see any other way yet. And when that is true, there is not the opportunity for direct connection between the cooperative and the final purchaser of the grain that there is in some other commodities. But certainly it is no harm for any cooperative to get in just as close touch with the other side or the rest of the industry as it is possible for it to do.

Mr. FORT. I did not mean only the cooperative, but, if we are going to set up a board, commodity committees or commodity councils, or something else. Mr. Wells made the suggestion, for example, that in a commodity committee of seven, which was to be the spokesman of the wheat trade to the board, five should represent the producers and two should represent the merchandising of the commodity, in order that a complete and comprehensive policy might be worked out that should take into account all of the factors. Do you believe in that, or do you not?

Mr. SHORTHILL. I think in a committee of that sort, for the purpose of conference, the grain cooperative might well have sitting and as a part of its board—the cooperative having a majority of the membership—a representative of the elevator interests and one of the milling interests at least.

Mr. FORT. You think that would be helpful to the producer as well as to the other fellow?

Mr. SHORTHILL. I think it would be a very constructive thing, especially for its influence on future attitudes of the different elements of the industry toward each other.

Mr. FORT. That is all.

Mr. ADKINS. Mr. Shorthill, you say that there are about 2,500 of the 4,000 farmers' elevators in your association?

Mr. SHORTHILL. Yes, sir. That is an estimate on my part.

Mr. ADKINS. How long have you been working in this cooperative field?

Mr. SHORTHILL. It is a little over 20 years now.

Mr. HOPE. Mr. Shorthill, there are two classes of cooperatives that are handling grain, are there not; the cooperative elevators such as belong to your association, and also what you call the pool organization?

Mr. SHORTHILL. There is the one class which buys the grain from the farmer, and the other which just markets it for him; yes.

Mr. HOPE. Do you think that your organization would be interested in marketing through a stabilization corporation?

Mr. SHORTHILL. I feel this way about the stabilization corporation: Take, for instance, wheat. At the present time, under the present situation, I am afraid it would be a dangerous thing for our farmers' elevators to go into a stabilization corporation. With the handling of the grain in terminal elevators, with the grinding into flour into the hands of private mills, and with the baking in the hands of private industry—I mean the other part of the industry in the hands of other people—it seems to me that it would be a little hazardous for the cooperative to undertake to go into a stabilization cooperation unless these other interests came in and were willing to bear their share.

Mr. HOPE. You do not feel, then, that much could be gained by a stabilization corporation in the handling of grain?

Mr. SHORTHILL. No; I did not say that; but I am saying that under the present conditions, with the facilities they now have, I am afraid it would be a dangerous thing for them to engage in. It would be too much like stabilizing the thing for everybody and taking all the risk, and if it resulted badly it would result in the wrecking of the cooperative organization and putting it back even farther than it was before it began.

Now, I do not see why it would not be possible, if the conditions were proper, to set up a stabilization corporation in which all these different interests, representing the entire industry, were represented.

Mr. HOPE. Would their interests be common enough so that they could cooperate in an enterprise of that kind?

Mr. SHORTHILL. I think that is a thing they have got to learn; that their interests are more common than they appreciate they are at the present time.

Mr. HOPE. You think some educational work could be very well done along that line?

Mr. SHORTHILL. I think their handling of that proposition together would be a good, practical, educational work.

Now, if the farmers' elevators were built up to the point where they had enough terminal facilities, where they had enough flouring mills to grind their wheat into flour, and even to that extent to

protect themselves somewhat in this stabilization program, that would be a different matter.

Mr. HOPE. You agree in general, then, with what Mr. Stone said about cooperation between the different branches of the industry?

Mr. SHORTHILL. I certainly think we are not getting very far in scrapping with each other in a violent way.

Mr. HOPE. Do you think that it would be possible by stabilizing the price of grain to increase the return which the producer receives?

Mr. SHORTHILL. I do not know; and if we are going to just look at increasing the price, that is not going to solve the problem at all; there are so many things that come in that will overtake and destroy the benefit that we get out of it.

Mr. HOPE. You do not think that in itself is any solution of the problem?

Mr. SHORTHILL. No; I do not say that, but I say it is not the final solution.

Mr. HOPE. That is all.

Mr. PURNELL. Thank you, Mr. Shorthill, for your statement.

The next witness is Mr. McClellan.

## STATEMENT OF GEORGE McK. McCLELLAN, OF DELAWARE

Mr. MCCLELLAN. Mr. Chairman and gentlemen, my name is George M. McClellan, a farmer from Delaware. I am here as an individual. I started my life on a farm; was doing a man's work on a Kansas farm when I was 12 years old, and worked under conditions where we had to struggle to keep soul and body together, and I know something about the farm problem. I have been active in professional life since then, as a lawyer. I had the honor, for some years, before the present able delegate was representing the Hawaiian Islands, to represent the agricultural interests of Hawaii at Washington. I have been here in Washington, in contact with Congress more or less, for more than 20 years. I am now living again on a small farm, having retired from my law practice.

I am here because I think there ought to be some spokesman for the laws of mathematics and economics. You men have had so much of talk marathon thrown at you here that I should think you would be pretty nearly daffy. I have been, listening to it for only a part of the time.

I think that you have got to come back, gentlemen, to a few things in this difference of opinion. One of them is that most of us still believe in the law of gravity; most of us still believe that two times two is four, and that it is not six and it is not seven; and we also believe that there is something in the law of demand and supply and the control of marketing facilities.

This committee has expressed itself twice as holding that the agricultural situation needed a far-reaching remedy. All of the talk that I have heard here, or nearly all of it, has been to the effect that we have now got to come back to a general proposition of passing the buck to a farm board of broad general powers, as the expression is; and I want to say to you, gentlemen, that that, in my opinion, is not a satisfactory solution.

I have undertaken to draft here, in a little 4-page leaflet, a method of meeting the problem which you attempted to meet by the equlaization fee. I undertake to show you that it is legal; that it can be worked without the bureaucracy of the equalization fee, and therefore is possible of use and adaptation by this committee. You have had presented to you the question of export certificates, tax rebate, or whatever you may term it. This is an alternative to that. In other words, I have an affirmative plan intended to accomplish the placing of the farmer in the same position as industry.

My friend John Clarke, of this committee, has made a proposition here which I think is very helpful, for warehousing. But, gentlemen, nobody knows better than Mr. Clarke and other members of this committee that the farmer's proposition is not solved by putting his stuff into a warehouse. The only vital question is, What price is he going to get for it when it comes out of the warehouse? If you are simply providing warehouse facilities and loans for him, that alone is not going to solve his problem. You gentlemen know even better than I the effort made by the Brazilian Government to follow out that plan in the valorization of coffee. They piled it up until it almost wrecked the whole Brazilian Government. In other words, you can not solve the problem merely by warehousing your stuff and tying it up.

Now, then, why is the farmer in trouble? He is in trouble because of the general proposition that we have built up in this country, whether for better or for worse—and I am not going to discuss that at all—but we are a protection country. Consequently, everything that the farmer buys he has to pay a protection price for, and he is not able effectively to get a protective price for his own product. I am speaking, of course, of the main staples, grain and cotton. Your warehousing will help with your perishables, fruits, and so forth, but for the others he is not able to get that price.

Now, gentlemen, to talk about warehousing alone being a solution of this problem is, I think, hardly a proposition to appeal to the intelligence of any observer. I listened this forenoon to one of the most discriminating talks that I have heard so far, being the statement of the representative of the Canadian wheat pool before the Senate committee. In answer to their question as to how much he thought, or how much they calculated, that they had saved to their pool members by their handling of the product above the ordinary open marketing methods, he said that in a certain year they had figured that it was 2 cents a bushel, and in the following year 1 cent and a half.

Now, then, that represents the most that they have been able to save, and I take it there is a general agreement that the Canadian wheat pool is about as practical an organization as there is of that sort anywhere.

In his opinion, they had somewhat steadied the world market by their operations, but not to any great extent. Therefore you can not assume, on the basis of their experience, that that method alone is going to affect a farmer materially on grain, not to exceed probably 3 cents a bushel.

Now, gentlemen, if you take seriously the question, as I am very sure this committee does, as you have shown by your previous action that you want to put the farmer in the same position as the manu-

facturer of shoes or the manufacturer of steel, and so on down the line, then you have got to come to some fundamental method that will enable him to sell his product as the protected domestic price instead of selling the whole crop, as he does now, at the world price, and nothing short of that.

Mr. WILLIAMS. I do not like to interrupt the witness, but I think the committee would like to hear your plan. Up to this time you have been discussing the deficiencies of other plans.

Mr. MCCLELLAN. The plan is to establish, in addition, of course, to the necessary tariff laws, which we are all agreed upon, and the machinery for the farm board and stabilization corporations, and so on, an excise law which should establish a certain charge on the sale and shipments of grain and cotton in interstate commerce, excepting therefrom the cooperative organizations that are established under the terms of the existing law, under the direction of the farm board.

The proposition there, gentlemen, is this: That you oblige no one to come into an organization. You simply put a set of economic conditions there whereby the cooperative associations can have a greater price for grain or cotton than the individual buyer can. Therefore, you have the means of centralizing the control of your products, and consequently you can by that means stabilize your price on a protected basis instead of on a world price basis. Short of that, gentlemen, you can not do it.

The statement is often made here about the difficulty of getting the farmers in. Testimony has been given you day after day by representatives of different organizations about organizations that have gone up to as high as two-thirds of the commodity, and then the members have dropped out of it.

It is the same thing in my own district, the section where I am living to-day. Why? Because the organization is obliged to hold the umbrella for the outsider, and the outsider gets the benefit more than the man on the inside.

You talk about getting them all in. As I have said before, unless you have an economic means of making it to their interest to come in, and make that clear to them, there is no question about it, they will not come in. Nothing short of that is going to get them all in, and nothing short of that is going to get substantially all of them, and unless you have substantially all of them you are not going to get control of these commodities to give you the benefit of the protected price. Does that answer your question?

The matter of saying if you have them all in so and so would happen, and if they will all come in you could do so and so, is like having a high-powered electric line and two big motors without any switch to throw the current into the line.

You have to have the economic conditions that will enable these organizations to have the opportunity and the possibility of paying more for the product than the outsider. That, gentlemen, is the substance of the proposition.

I have copies of this plan here which you can look over at your leisure. So far as I am concerned, that is about all I have to say, except for one thing.

The Secretary of Agriculture used the expression yesterday that a mandate had been given to this committee for the solution of the

farm problem. It happens that I, some 10 days ago, had completed this little draft here in which you will find on the last page that identical expression, a mandate.

Now, gentlemen, what is the mandate to this committee and what is the mandate to the administration? I am not speaking of the administration in a partisan sense but of the Government that is now directing our affairs.

Is it real, or is it just a question of saying, well, we have to do something?

To illustrate what I am getting at, I want to make a personal reference. Some three months ago I happened to be at Rye, N. Y., as a week-end guest at the home of a very wealthy man whose interests and the interests he directs represent some $230,000,000 of capital, all invested in public service corporations, having only the remotest relation to agriculture.

I was talking to that man about the question of farm relief, and I said: "Tell me, do the big business men and financiers of this country believe that there is anything to this question of farm relief? In other words, do they think it is merely talk, or do they think that it is something that ought to be attended to?"

That man said to me, without any hesitation, "Mr. McClellan, that is one of the fundamental needs of this country, and this country will never have its prosperity and its balance between industry and all the other activities of this country, and this country will never reach its highest capacity until you really solve the farm problem."

Now, then, gentlemen, there is the testimony that appeals to me more than some that might come from a hard-up farmer out in North Dakota or from myself or from any other farmer.

If a man of that type who has no direct interest in farming says that the relief has got to be real, then it seems to me, gentlemen, that the mandate you have is one to undertake something that will be effective, not merely passing the buck up to a farm board, a general farm board, with general powers.

In so far as the President is concerned, I can only say this. I, of course, have no means of knowing what his final opinion is on that proposition, but I will say this, gentlemen, that if you take the record of the present President of the United States as to what he has done, you will find that when he was a mining engineer he did not consider that he was carrying out his responsibilities for his clients by digging a shaft two or three thousand feet into the ground, but that shaft had to go in a certain way so that it would be effective in getting out the ore.

When he went to Belgium he was not content to have a certain sort of organization, but the food had to come in and be distributed until it reached the hungry people.

Mr. PURNELL. Your time has expired.

Mr. MCCLELLAN. I do not think I have had a full 30 minutes.

Mr. PURNELL. The committee allotted you 15 minutes, and I did not call you down until you had consumed 20 minutes. Most of the witnesses to-day, like Mr. Stone and Mr. Bledsoe, two of the best witnesses who have appeared before the committee, had 15 minutes each.

Mr. LARSEN. Your idea is to create an economic condition whereby a man who is not in one of these cooperative organizations would be forced to come in or pay an excise tax?

Mr. MCCLELLAN. He would be economically obliged to market his product through this organization.

Mr. LARSEN. And if he did not come in he would have to pay for the privilege of marketing his products?

Mr. MCCLELLAN. He would get less for his products.

Mr. LARSEN. Just answer my question. If he does not come in he has to pay for staying out; is that right? He has to pay this excise tax?

Mr. MCCLELLAN. I would put it the other way; he would lose by staying out.

Mr. LARSEN. You would force him to come in, or you would force him to pay the tax for not coming in?

Mr. MCCLELLAN. He would lose the opportunity of marketing his products at the highest price. I have not been acquainted with any farmers who objected to getting the highest price they could, even if they were not obliged to go into the organization.

Mr. MENGES. I would like to ask the gentleman to tell us in a few words how he would effect his organization to enforce the plan he has just spoken of.

Mr. MCCLELLAN. Well, the organization, so far as the excise tax is concerned, would be extremely simple. It could be by means of a stamp tax on a bill of lading. In so far as the outsiders subject to the tax making shipments are concerned, the force of the provision, of course, is just precisely the same as was the condition you find if you go back nearly 100 years in the history of the country when the Government, in providing a 10 per cent tax on bank issues, practically limited the monopoly of the issue of currency to the national banks. The tax was not paid to any considerable extent, but yet it gave the field of banking to these federally chartered banks.

And the same way here, you give to the farmers' organizations the possibility of shipping their commodities in interstate commerce at a less rate than others. That, of course, for obvious reasons is a public policy which present conditions ought to fully warrant, in view of all the discussions that have gone on in all these years.

So by these organizations you would be able to pay any grower this price. He would not have to be a member, if he did not want to be. Any producer could sell through them and they would buy from anybody. In other words, the opportunity of the market is brought to all; there is no discrimination in that respect. Nobody is shut out and nobody's money is taken away from him.

If a man insists that rather than take a high price, he would rather sell at a lower price to an individual, of course, that would be his right.

The only means of controlling the domestic price effectively, through the policy of centralization, would be worked out by this means.

(Thereupon, at 5.25 o'clock p. m., the committee adjourned to meet to-morrow, Friday, April 5, 1929, at 10 o'clock a. m.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
*Friday, April 5, 1929.*

The committee met at 10 o'clock a. m., Hon. Fred S. Purnell presiding.

Mr. PURNELL. The committee will come to order. Mr. Teague, we are ready to hear you.

## STATEMENT OF C. C. TEAGUE, PRESIDENT CALIFORNIA FRUIT GROWERS' EXCHANGE AND CALIFORNIA WALNUT GROWERS' ASSOCIATION

Mr. PURNELL. Mr. Teague, will you please tell the committee whom you represent?

Mr. TEAGUE. I do not represent anybody, gentlemen. I came here at an invitation of the committee.

By way of introduction, however, I might say I have been a developer and operator of agricultural properties for a great many years; for over 35 years, in fact.

I am president, manager, and part owner of companies operating 2,000 acres of citrus fruits, lemons, and oranges, 250 acres of walnuts, and 5,000 acres of bean lands.

I am not a promotor. I have never sold any land. I have never dealt in the products of the farmers; never bought or sold them. So my interest in coming before you is entirely that of a producer, with some interest in the problem that you are discussing.

I came to the conclusion many years ago that if we were to prosper in our agricultural business we must work out some plans of a control of the distribution and the orderly distribution and marketing of our products in order that we might as nearly as possible keep our supply and demand in proper step, in proper unison.

I have been a director of the California Fruit Growers Exchange for 19 years and have been its president for the past 9 years. That organization is a nonprofit, grower owned and controlled organization, which returned to its members last year over $96,000,000. The delivered value of that product was $122,000,000 and the cost of marketing was 2.3 per cent, including over a million dollars spent in national advertising.

The California Fruit Growers Exchange has a supply company. It owns and operates two lumber mills, with 125,000,000 feet capacity of lumber, for the purpose of supplying us with our box shook; and we do a business with our members in orchard supplies and packing-house supplies of over a million dollars a month.

The California Walnut Growers Association was organized 15 years ago. I was largely instrumental in its organization and have been its president ever since it was organized.

That organization controls 85 per cent of all the walnuts produced in California. I neglected to say that the exchange controls 75 per cent of all the citrus fruits in California.

The Walnut Association does a business of about $15,000,000 a year.

These two cooperatives are conceded, I think, to be at least among the leading cooperatives of the United States or the world, so far as efficiency in the handling of their business is concerned.

I have served those organizations all these years, giving probably over half of my time to them, and have never drawn a cent of salary or compensation from either of them.

I make those statements in order that you may judge whether or not I have a real interest in this subject which you are considering, and whether or not I speak out of some experience and not entirely from theory.

I have written out a statement for the purpose of economizing your time as much as possible which, with your permission, I shall read.

The problem of agriculture is primarily one of overproduction or lack of regulated distribution, or both. It should be considered in two major subdivisions.

First, nonperishable staple crops produced over wide areas in many States and by other nations and where world production and consumption operate in establishing prices.

The above crops, due to their nonperishable nature, are susceptible to storage from one production period to another or even longer, and from surplus production years to years of shortage.

Due to the fact that these crops are grown over such wide areas by so many producers, owners, and tenant farmers of such varying degrees of education and intelligence, it is probable that it will be many years before they can be organized into effective cooperative marketing organizations with a sufficient percentage of control of distribution and production to effect any marked stabilization of prices.

It is in this class of production that the largest number of producers are affected and where distress is the most acute.

Both political parties are committed to Federal legislation looking to control of surplus and stabilization of markets.

The most comprehensive and simplest plan of operation that has come to my notice for this class of producers is one proposed by the economics and marketing committee of agriculture of the Los Angeles Chamber of Commerce.

I will read this plan and follow with a few suggestions of changes that appear to make it more workable. The plan briefly is as follows:

(*a*) The various statistical departments of the Government to arrive at the average market value of the various agricultural staples to be included within the terms of the act. (Preferably the statistical departments of Dun and Bradstreet to be included and to be consulted in arriving at the average or peg price.)

(*b*) The Federal Government to form a corporation with a large capital stock, not under $200,000,000, to be known as the Agricultural Finance Corporation.

You can call it, if you choose, the agricultural board.

The United States Treasury to own and hold in trust for later distribution, as indicated herein, all of the stock of the corporation, and to have authority to borrow on short-time loans an amount equal to the authorized capital. These borrowings could be made from either the Treasury surplus or from any other sources. The stock of the corporation need not be paid for by the Treasury but only by the farmers as hereinafter specified. The entire initial operating capital may thus be supplied by the short-term Treasury notes.

(*c*) The corporation shall agree to enter the open market at any time when any of the commodities in which it is authorized to deal fall to a price more than 10 per cent below the pegged average, and to buy all of such commodities offered at or below that figure. The corporation shall agree not to resell com-

modities purchased until such time as the market shall reach the pegged price, provided that, if it is impossible to obtain the pegged price within 30 months after the date of purchase, the corporation may sell on the open market, at the best price obtainable, not over 15 per cent of its stock of any commodity during any one month.

(*d*) In order that the stock of the corporation may eventually pass into the hands of those whom the corporation is designed to benefit, a moderate sum shall be withheld by the first purchaser from each producer, and such first purchaser shall on the first of each month furnish the corporation a list showing the name and post-office address of each producer from whom he has purchased, also the item and quantity purchased, and other necessary details, and shall forward the corporation a check covering the specified amount withheld from the producer. At the end of each year, the corporation shall issue to the producer stock in the corporation, the par value of which shall equal the amount withheld from the producer; the shares to be in a denomination of $5 each. Amounts withheld amounting to less than $5 shall be added to the producer's balance on the succeeding season. The amounts withheld for stock subscription should be very small, approximately 1 per cent of the average value of the commodity. The corporation should be so capitalized that on this basis the entire capital will be owned by producers within a 10-year period.

(*e*) No dividends shall be paid on the capital stock until it has been fully subscribed and paid for on the basis above mentioned, and thereafter dividends shall be limited to not over 6 per cent per annum. No person, firm, or corporation shall be permitted to own more than 5,000 shares. Any losses which the corporation may sustain prior to the full payment for and the distribution of its stock to farmers shall be first deducted from the 1 per cent sales reserve for the current year in which the loss is taken, and any amount in addition thereto shall be borne by the Treasury.

The arguments in favor of this proposed legislation are:

1. Sound economic practice dictates that every industry should stand on its own foundation. The agriculturist should not and can not conscientiously ask anyone else to help him permanently, nor to subsidize him. He doesn't have to farm—he can engage in other pursuits if he wishes. While this plan gives the agriculturist temporary aid in financing, it is so designed that within 10 years the financial structure is owned by him.

2. The production of even staples varies materially from season to season. Frequently this variation is as much as 20 per cent. A 10 per cent surplus of any food commodity causes at least a 30 per cent and oftentimes a 50 per cent reduction in the price to the producer. Thus it is on years of large production that the farmer usually takes a loss. The very knowledge of the fact that the corporation is prepared to enter the market and buy the surplus of any staple commodity when the market breaks below 10 per cent of normal will in itself stabilize prices, and it is stable prices more than anything else which the farmer needs to-day. Because of the knowledge that the corporation can not sell below the normal price for at least two and one-half years from a period of depression, the market should at least remain stable for that length of time. But it is almost a certainty that at some time within that 30-month period the corporation could unload its surplus at the normal price or above.

The corporaion would benefit the public also through its stabilizing influence on markets, for if it loaded up with supplies on seasons of overproduction it would have those supplies to unload at moderate prices on seasons of crop shortage. If the corporation's average turnover were only 18 months and the prices obtained for its merchandise were only the normal prices, it would still pay interest, overhead, and carrying charges; but the period of turnover should be not over nine months. Then the profits would be very large.

3. The farmer would not only benefit from the legislation, but the assurance of an absolute minimum price for his product by the very knowledge among the trade that the corporation stood ready to stop a serious break in the market would of itself usually and under ordinary circumstances prevent the market from going below normal and, as a matter of fact, would even on seasons of heavy production keep it at or above normal. Through this plan the farmer would not be assured or guaranteed such a high price as would stimulate overproduction but would be protected against those terrible periods of depression which have caused such widespread distress and bankruptcy in American agriculture at certain times and in certain sections.

This plan contemplates average market prices as the basis for peg prices, which does not seem practical because (1) if the average proved too high world surpluses would be attracted to our markets which could not be absorbed and would result in increasing production and surpluses; (2) if the average prices proved too low, it would not furnish the necessary relief; (3) if the plan were put into effect and operated to stabilize prices with each succeeding year, the base or peg average would increase until the peg price would perhaps be too high.

I would therefore suggest that a cost of production basis be used similar to that proposed in former legislation by Fort and Tincher and that the corporation purchase whenever the price drops below the cost.

In determining costs it will be necessary to use the cost of the reasonably efficient producer as the basis and to include labor, materials, depreciation, taxes, maintenance and freight to domestic terminal markets. To do this a study should be made of cost of production on acres of reasonably efficient producers of various States; such survey should cover sufficient areas and time to be truly representative.

The determination of this cost of reasonably efficient producers would be a most valuable contribution to the problem of agriculture; the dissemination of this information to the producer would be notice to him that if he could not reach that standard he could not hope to succeed and that he had better expend his energies in other directions; the effect would probably be a large reduction in the submarginal acreage and a reduction of the overproduction problem.

Most of the other suggested plans depend on stabilization corporations representing each separate-commodity group. Many commodities are not now sufficiently organized so that cooperatives control any considerable percentage of production and it may require considerable time before they are. Such commodity groups would not get relief for a long time under these proposed plans. This plan would afford immediate relief whether they were organized or not.

On the other hand, it not only does not preclude, but might easily encourage the organization of cooperatives which could still operate to secure more orderly distribution and reduce cost of distribution and to secure a higher price than cost prices, together with the advantages of improved grading and elimination of cross shipments.

It might also be provided that on such proportion of the product as now moves through cooperatives those organizations be required to make all necessary reports in lieu of first purchasers.

If provisions (*d*) and (*e*) should be found to be unconstitutional which relate to withholding by original purchaser of 1 per cent of the purchased commodity to be later returned to the producer in stock in the corporation, then, in that event, it might be eliminated and reliance placed on the probability that if the corporation operated on the suggested cost basis it would accumulate a profit that would in time equal the capital necessary for its operation. The provision could be retained requiring reports from original purchasers, giving amounts purchased, and names of producers, and when profits equaled the capital of the stock could be distributed to producers.

In either case provision should be made so that at stated intervals the stock will revolve, thus keeping the stockholders and the active producers, as nearly as practicable, identical.

In case the plan of retaining a per cent of all sales is constitutional, the provision for incoming capital could be retained permanently, and whenever an amount equal to the capital was accumulated the old stock could be retired and new stock issued to those that had furnished the capital during the next preceding period.

If, as in the second case, the capital was furnished out of profits from the operation of the corporation, the stock should revolve in the same manner as before stated.

This revolving plan would also be necessary to avoid speculation in the stock and to insure control of the corporation by producers. Some provision should also be made for increase in capital beyond the original capital should it be found necessary for the operation of the corporation.

If the Government is to undertake legislation looking to surplus control aimed at preventing too wide fluctuation in prices between years of overproduction and years of short crops, I believe the above plan is workable and would be comparatively simple of operation—much more so than the plans which have been suggested which set up stabilization corporations representing each commodity, and which look for their control and operation to each industry. It would also be immediately workable and would not depend upon future organization of accredited cooperatives to a point where they would be recognized as representing those industries.

In addition to the suggestions made in this plan it would probably be necessary to have a provision that the proposed corporation could only purchase commodities that were adequately protected by a tariff, or that it be established that no tariff was necessary.

This would be necessary to prevent the acquiring of exportable surpluses of other countries that would perhaps dump their products in our markets at the average or peg prices.

Inasmuch as there are some agricultural groups that doubt the advisability of any legislation looking to surplus control and stabilization it would probably be advisable to insert a provision in any legislation setting up an agricultural board or a stabilizing corporation that no commodity group would be included in the operation of legislation until a responsible existing group or committee recognized as representing the group-made application to come under its provisions.

I feel that the statements made in the foregoing remarks are all more or less within the realm of theory, as all of these plans are, because they have not yet been tried—any of them. They are experimental.

I approach with a good deal more confidence the subject that I will talk to you about, which is subdivision No. 2.

Subdivision No. 2 consists of perishable fruits and vegetables and crops grown on limited areas, the problems of which can not be met by plan No. 1 and which lend themselves more logically and readily to control by cooperative grower owned and controlled marketing organizations.

There are enough examples of sustained successful operation of grower cooperatives where they have had a sufficient percentage of

control to warrant the Government lending every reasonable help that it can to the extension of that movement.

Subdivision No. 2 is the long-time project—the development of farmer-owned and controlled cooperative marketing organizations to be built up to the point where they will control at the source a sufficiently large percentage of the various agricultural commodities to effect a proper control of shipments and distribution so as to stabilize markets and prevent gluts and famines and to exercise some influence on production.

In my opinion this can only be done through the development of the true type of cooperative which is exclusively grower-owned and controlled.

In my opinion the so-called clearing-house type, which includes both the grower-shipper, and the speculative shipper, is destined to fail as it always has failed for the following reasons:

The grower type is composed of producers all of a common interest, which is the marketing of the product of its members at cost, returning all proceeds less the cost of selling.

The speculative shipper, handler, or dealer is in business to make a profit from the producer either by purchase of his product or handling it on a brokerage or fixed charge basis.

The interest of the two groups is therefore diametrically opposed; any intelligent speculative shipper that ships his product through a clearing house which stabilizes the market or markets through a clearing house knows that he can not make as good a showing to his producers as the true cooperative, provided each are equally efficient; he also knows that he will lose his business to the cooperative and that there will be no excuse for his existence.

In the competition which follows where they are trying to market through the same agency, the speculative shipper to make the better showing which is so essential to his existence is always seeking an advantage and will not play the game.

If the speculative shipper has his money in the product he usually will not agree to a proper regulation of shipment to meet the demand.

The clearing-house type of cooperative marketing was tried out by the California citrus industry under the most favorable conditions possible failed.

The California Fruit Agency was formed 25 years ago and was composed of practically 100 per cent of the citrus industry; the citrus industry marketing conditions were bad at that time and regulated distribution badly needed. Besides the California Fruit Growers Exchange, which only controlled between 45 and 50 per cent of the industry, there were only about 10 speculative shipper members of the organization to deal with. These shippers insisted that the exchange was not to solicit membership after the organization was formed. These speculative shippers were not educated along true cooperaive lines which look to the common good of all and does not seek selfish advantage. The California Fruit Growers Exchange members found it impossible to work with the other group and the thing was abandoned in about a year.

The exchange has grown steadily since that time until it now controls over 70 per cent of the industry in California.

There never has been a successful clearing house made up of speculative shippers and cooperative shippers, and in my opinion there never will be.

The unfortunate part of it is that when one of these clearing houses fails it is looked upon as a failure of the cooperative movement and destroys the confidence of producers in the true cooperative as a medium for the solution of their marketing problems.

If I am right that the only solution is the development of the true type of cooperative, what can the Government do to develop that type? In my opinion it can do a great deal.

Until the enactment of the cooperative marketing act passed in 1926 the Federal and State Governments did practically nothing to aid this movement; both State and Federal Governments, as well as our agricultural colleges, have encouraged production by teaching and demonstrating more scientific and efficient methods of production, but until the last two or three years they have helped very little with the more important side of the problem—the economic—which I interpret as the science of getting a living price out of that which the farmer produces.

The cooperatives have had to bear all of the burdens of selling their organization and their marketing plans to the producers; it has been slow, uphill business.

This process of getting a high enough percentage of a commodity so as to exercise effective control of distribution and stabilization of markets is a slow, long-time program.

Most cooperatives that have failed have failed through not having this control and therefore not being able to carry their overhead and make a showing of returns as compared with competitors; they have not been able to increase their percentage or have found it reducing until they have been forced to disorganize.

I believe that it is possible for the Federal Government collaborating with State governments and with State universities to very much shorten this process of gaining a large percentage of control which is vital and essential. How can this be done?

First, establish a standard by a study of successful cooperatives which will be adopted as the measuring stick to apply to existing cooperatives and which is to be the type supported by these governmental agencies and which is also to be the type promoted where new cooperatives are to be formed.

There is an army of Federal, State, and college of agricultural men constantly in touch with the farmer on his production problems. Why not use them in educational and organization work in strengthening proper cooperative organizations where found, or to organize them where necessary?

When a representative of a cooperative approaches a producer he is often looked upon as having a selfish interest and is often met with suspicion.

A representative of the Federal or State government can approach this same producer much more effectively as he is looked upon as a sort of official representative of those governments.

What is needed for the sound development of the cooperative movement is the coordination and mobilization of the Federal and State forces behind it, thus giving it the stamp of public approval and putting behind it the necessary confidence of the producers.

In my opinion this can be accomplished without setting up new bureaus and departments which perhaps would only operate to confuse the issue.

To accomplish this, (*a*) bill H. R. 7893, the act creating the cooperative-marketing division, should be amended so that it specifically directs the division, to work out complete collaboration plans with State governments and State universities in the promotion and formation of grower-owned and controlled cooperatives.

(*b*) The Smith-Lever Act under which the Government is empowered to collaborate with State governments in extension service to farmers should be amended to provide that at least 25 per cent of the funds so appropriated should be used for the employment of extension-service specialists in cooperative marketing and other expenses necessary to promote grower-owned and controlled cooperatives in marketing farm products and the purchase of farm supplies.

Any additional appropriations should be made that are necessary for this purpose without interfering with any necessary extension service now being done or which it may be advisable to do in the future.

In my opinion, if this is done it will give a tremendous impetus to the cooperative movement and will be of more benefit in the long run than any other type of legislation. It would have the effect of mobilizing the Federal and State forces definitely behind the cooperative movement for the solution of this most important national economic problem, namely, the orderly distribution and marketing of farm products.

The plans under the heading "Subdivision 2" refer to the long-time problem of putting the farmer on a basis where he can handle his own business without Government aid or interference, and in my judgment is of first importance. It is not an experiment; it has been tried and proven. The first plan or anything of that character that attempts stabilization of prices through surplus control is novel and therefore experimental, but perhaps under the promises to the people must be tried, but should it fail we will still have plan No. 2 if it is put into effect steadily working toward a solution of the problem.

## AGRICULTURAL FINANCING

The Federal Government should aid in furnishing funds for capital investments where same are necessary for processing or warehousing the product of the farmer, to be repaid out of retains from the crop handled. It should make it as easy as possible to finance the carrying of the crop through from the production period to the consumption period. This can probably best be done by the suggestion made to you by a group of cooperative leaders headed by C. O. Moser, of the American Cotton Growers' Exchange, and Charles W. Holman, of the National Milk Producers' Associations, namely:

(*a*) The separation of the 12 Federal intermediate credit banks from the 12 Federal land banks.

(*b*) The creation of the Federal intermediate credit board—a separate and independent body to supervise the Federal intermediate credit banks.

(*c*) The establishment of a $300,000,000 revolving fund to be placed at the command of the Federal intermediate credit banks and to be loaned to coopera-

tive associations to enable them to acquire or erect various types of processing plants, warehouses, and other facilities necessary to their successful business operation.

This would also help to mobilize the credit facilities of the Government to the more effective development of grower owned and controlled farmer cooperative associations.

Mr. ASWELL. Mr. Teague, you mentioned the cost of production. We have had many witnesses here who seriously doubted that there was any such thing as the ascertainment of the cost of production. Then you suggested that there should be an investigation made to determine the cost of production before the plan was put into operation. Now, how would they establish the cost of production?

Mr. TEAGUE. I think that with a good force put in the field, selecting representative acres in the various localities operated by what would be considered reasonably efficient producers, it could be done within a reasonable length of time. I think it could be done within three months by a good force of men.

Mr. ASWELL. Would you suspend the operation of the bill until that was done?

Mr. TEAGUE. Yes, sir; you must have a basis on which to operate. In fact you would have to wait until you had a basis.

Mr. ASWELL. I think that a majority of the witnesses who have appeared here believe that there is no such thing that can either be established or discovered as the cost of production.

Mr. TEAGUE. They are probably talking about the cost of the average of the total crop, are they not?

Mr. ASWELL. No; they have been talking about the fact that there has never been any specialist or expert able to establish the cost of production.

Mr. TEAGUE. I can not believe that is so. It is not reasonable to think that it is so. It is not reasonable to suppose that you can not establish the cost of producing agricultural products where all of the factors are known, such as labor costs, machinery costs, depreciation, and so forth.

Mr. ASWELL. They say it is because it varies so much.

Mr. TEAGUE. But you have to take the average production and get the cost related to it. You must take the average cost production to the producers of the average products, and get them together on the basis of a weighted average. If that were done there should be no difficulty, I think, in determining the cost of reasonably efficient producers over a period of years.

Mr. ASWELL. Yet they have not been successful in anything along that line.

Mr. TEAGUE. I do not know how serious an attempt they have made to do it.

Mr. ASWELL. There has been a discussion of that here for the past six years, but nobody has ever agreed that anything has been done in the past along that line, or even approaching it.

Mr. TEAGUE. We can do it in our business, and I do not see why it can not be done in other lines.

Mr. ASWELL. But you have a relatively small business.

Mr. TEAGUE. That is true, but we have kept the costs for some ten or twelve thousand acres of citrus orchards, operated by small producers, with from 10 to 12 acres each, covering the production over

a number of years. We have done that for tariff purposes, and we know pretty accurately the cost of production in our industry.

Mr. ASWELL. Your proposal is to suspend the operation of the bill until that is accomplished.

Mr. TEAGUE. Yes, sir.

Mr. ASWELL. I think that would destroy the whole plan.

Mr. TEAGUE. Surely you are not going to operate entirely up in the air. If you were to work it out on the average sales value of the product, you would have to make a long investigation of that. That would be as difficult to determine as the other.

Mr. ASWELL. A good deal has been said about the extent of cooperative failures. Is it not a fact that the failure of cooperative organizations has been largely due to the fact that the cooperatives are not federalized or nationalized, and that, therefore, their scope of activity is so limited that it does not affect either the local or the world markets.

Mr. TEAGUE. That would certainly be true in the case of many cooperatives dealing with one specific commodity and, if there were a good number of them, there would be just as much necessity for them to be federated so that they could control the product, as in the other case.

Mr. ASWELL. That is not the case.

Mr. TEAGUE. They have not had sufficient control.

Mr. JONES. Is it not very difficult for any cooperative organization to operate without giving the benefits of its operations to the noncooperative?

Mr. TEAGUE. Surely; they can not stabilize the market without the outsider getting a benefit, or from marketing under the umbrella.

Mr. JONES. Therefore, unless we have 85 per cent, or a large percentage of the commodity, so that the part on the outside will be negligible, it will be hard to do anything in the way of cooperative marketing.

Mr. TEAGUE. Yes, sir.

Mar. JONES. There have been one or two plans suggested for distributing the cost over the whole field, but, unless something like that can be done, it will be very difficult to have a cooperative and make it succeed.

Mr. TEAGUE. It is a long-time program, requiring a lot of education, but the work is growing steadily.

Mr. JONES. We have had a good deal of testimony here, and that has been the story. We have had some of the ablest men in charge of cooperatives who have given a story of wrecks by the way. Therefore, it seems to me that suggestions along that line, while very desirable, are largely impracticable. I was very much interested in the first part of your program, as you have outlined it there. If this board could be so organized that it could go into a commodity only at such time as the price of the commodity was unusually low, due to a great production, and sustain that commodity to keep it from falling to too low a price, and should at the same time give notice that they expected to feed it out in an orderly way, and that if there was an overproduction the following year there would be an even greater loss, the plan might succeed, but, otherwise, the program outlined here seems to be impracticable.

Mr. TEAGUE. Both of them, I should say, would go together. I would classify it in two parts. As to some perishable commodities it would not be practicable to reach them with the other plan.

Mr. JONES. I know very little about that part of it and that is the reason I was not asking about the second part of your program. It was the other program, in which my people are interested, covering staple varieties of products, that I was specially interested in. I was particularly interested in that part of your program. If a board were organized with a revolving fund, of, say, $300,000,000, and if that were split up into different commodities, they could not accomplish very much, could they? They could not accomplish very much with anything that was split up into $25,000,000 for this commodity and $25,000,000 for some other commodity, could they?

Mr. TEAGUE. I take it that this cooperative or board would only go into those commodities where the price was depressed below the cost of production.

Mr. JONES. In doing that they would have the $300,000,000 available to go in at any time when there was such a depression. If they have that, and would let the trade and everybody else know that they have the $300,000,000 available for that purpose, and that they expect to see that the commodity is handled properly, they might be able to do something.

Mr. TEAGUE. Yes, sir.

Mr. JONES. But if it were allotted out so that you would have only a few million dollars for a commodity, they might not be able to stem the tide, or they might be wiped out.

Mr. TEAGUE. Yes, sir; if it were divided into too small amounts, or if the problems were too many.

Mr. JONES. While I think that the encouragement of cooperatives is desirable, I can not see, as far as staple crops are concerned, much hope from the Government going into a lending process through cooperatives or a system of marketing of that kind.

Mr. TEAGUE. We have not proposed that.

Mr. JONES. I know you have not, but a lot of others have. For that reason I think that your plan, as suggested in the first part of your program, outside of the plan suggested by Mr. Bledsoe, of Mississippi, is the only plan I have seen that has any possibility of working in this kind of situation. I compliment you on the first part of your discussion, but I know very little about the second part. When the experience of the ablest and brightest men in the handling of cooperatives is taken into consideration—and we have had discussion after discussion of it here—I can not see where any such plan as is suggested here will be worth much, unless they have added to it and tied to it a plan with respect to funds to be collected within the cooperative or from some other source.

Mr. KETCHAM. Mr. Teague, I was very much interested in your statement made some time during the course of your testimony, to the effect that in your particular line of perishables the greatest amount of assistance that could come to the farmer would be by doing away with those terrific variations in price, or slumps in prices due to gluts on the market.

Mr. TEAGUE. Yes, sir.

Mr. KETCHAM. Are you in a position to say, or could you give the committee information as to what your organization has been able to do in that line.

Mr. TEAGUE. We have been able to very definitely regulate our supply over the years, or the supplies shipable through each week to meet the demand based upon our experience with the markets. We have done that, and it has had the effect of stabilizing the market, and keeping it on a profitable basis for our industry. Our industry is on a profitable basis, notwithstanding that we have increased our production probably more than has occurred in any other commodity of that character in the United States. From 5,000 cars we have grown to 60,000 cars, that our organization alone handles. Our production has increased six times faster than has been the rate of population increase.

Mr. KETCHAM. You have taken pains to expand your market?

Mr. TEAGUE. Yes, sir; that is a part of the program of any well-organized cooperative—that is, to keep the demand in pace with the production.

Mr. KETCHAM. How long have you been operating with that degree of success, or upon that basis?

Mr. TEAGUE. Our cooperative has been getting more efficient all the time. We have been operating over 30 years.

Mr. KETCHAM. Do you have any records, or is there any basis for a comparison that would indicate the advantage that has come to your industry through those means during that period of time?

Mr. TEAGUE. Our market was absolutely demoralized at the time when we organized. That was the situation, even with the small quantity of production we then had. It was necessity that made us organize, because we were not then realizing the cost of this stuff. That was true especially of fruits, citrus fruits, and, also, of the walnut industry. It has been only through organization that we have been able to accomplish these results.

Mr. KETCHAM. The real reason why I am following this line of questioning is because that before this committee there seemed to be two widely divergent lines of thought. One line of thought is that the only way to meet the situation is to provide some form of organization that will enable the producer to boost his prices.

Mr. TEAGUE. That is unsafe.

Mr. KETCHAM. And the other school of thought is that the best thing to do is to avoid the boosting of prices and to direct the effort toward getting the price on a fair basis, which takes into consideration the production and the capacity of the consumptive demand. According to that school of thought, if you could do away with gluts especially——

Mr. TEAGUE (interposing). And peaks as well. It is as bad to have too high a price as it is to have too low a price. An abnormally high price stimulates increased planting and overproduction, and inevitably we will have to settle the bill later.

Mr. KETCHAM. Of course, it must be said for those who favor the other plan that they have in mind destroying the disparity that exists in the general commodity level and the level of farm prices at the present time.

Mr. TEAGUE. They are striving for a higher level. I want to make this further statement, that I do not believe that you can by any legislation set aside the law of supply and demand. I think that if you will continuously produce an overproduction of any commodity until you have a surplus on hand you have got to balance the production with the sale you have for it. You will suffer until you do that. You can equate these high peaks of production with your lower levels of production and then average it up, thus preventing the peaks both ways. By preventing the development of peaks you can, of course, accomplish a great deal. I think that is about all you can do with your surplus.

Mr. KETCHAM. There are two schools of thought with reference to surpluses. You take into account the surplus at the point of production.

Mr. TEAGUE. Yes, sir.

Mr. KETCHAM. You do not put that on the market.

Mr. TEAGUE. No, sir; I would handle that from the point of production.

Mr. KETCHAM. Therefore, the farmer himself would handle his own surplus, but you maintain that over a period he gets a higher price that will compensate him for the loss in the matter of the quantity of crop that is produced.

Mr. TEAGUE. Yes, sir.

Mr. KETCHAM. The other school of thought would take the surplus of production and dispose of it, distributing the penalty back to the producers. You think that would be fatal.

Mr. TEAGUE. Yes, sir.

Mr. KETCHAM. Can you see any distinction between perishables and nonperishables in that sense?

Mr. TEAGUE. No, sir.

Mr. KETCHAM. When you had produced a surplus of nonperishables, what would you do with it?

Mr. TEAGUE. I would buy them in when they went below the cost of production, and I would establish a cost for the reasonably efficient producer. Then I would buy in this surplus and equate it into years of depression or of low crops.

Mr. KETCHAM. In that way you would average the thing.

Mr. TEAGUE. Yes, sir.

Mr. FULMER. You are speaking now of commodities like cotton, or something that you could store and carry over.

Mr. TEAGUE. Yes, sir. I subdivided my statement into two classes. I have been speaking of perishables, fruits, vegetables, and so forth.

Mr. FULMER. It is your contention that if we had some scheme whereby we could bring about orderly marketing, so as to obtain an average fair price, we would not be bothered so much with surpluses. We could use practically every pound and bushel of everything we produce to-day if we had a real marketing system, so as to market the stuff in an orderly way.

Mr. TEAGUE. I do not think I can go with you that far, because there are tremendous areas susceptible to production, and we have proven over and over again that high prices bring in a supply that just can not be absorbed at anything like a reasonable price. That is the reason I think it is dangerous to try to put this average up above the cost. I think the cost is the only basis to operate on.

Mr. FULMER. It is not your contention that you can bring about a higher price by orderly marketing, but that you can bring about an average price. That is, cut out the low and the high.

Mr. TEAGUE. Of course, orderly marketing would allow time for the marketing of the product. There may appear to be a surplus of a product when, in fact, there is not a surplus. If you do not have orderly marketing, the prices may be demoralized but through orderly marketing you can handle that product. You can take the product, through orderly marketing, and distribute it equitably and ratably over the country, and during the period of time required for consumption. Then, oftentimes, you will find that you do not, in fact, have any surplus.

Mr. FULMER. About what percentage of the production in your line do you handle?

Mr. TEAGUE. About 75 per cent of the citrus fruit and 85 per cent of walnuts.

Mr. FULMER. Do you have any trouble from the other 25 per cent?

Mr. TEAGUE. Yes, sir. They are out fighting against us all the time.

Mr. FULMER. Do you have any suggestions to offer whereby we might be able to make them cooperate, or would you suggest that?

Mr. TEAGUE. No, sir; I do not think that would be possible. I do not think it would be possible to have any organization that would distribute the stuff of these interests where the organization was composed of these speculative dealers. Now, we take the trade into our association—that is to say, the retail and wholesale trade is just as much a part of this distributing machinery as we are. We are working on the best terms with them. The speculator simply goes out and buys the product from the farmer, and I do not think it is possible to operate with him in the cooperative. You could not have them agree upon the distribution among themselves. You could not get those two classes together, with the one operating for profits and the other on a cost basis. You could never get those two classes to cooperate in the distribution. That has been my experience and observation every time it has been tried.

Mr. LARSEN. I understood you to say in response to a question propounded by Doctor Aswell that it was practicable and feasible to determine with a reasonable degree of accuracy the cost of production.

Mr. TEAGUE. I can say this: That it is not an insurmountable thing at all to establish the cost of production on a given acreage. You can take that acreage, or that representative acreage, and determine the cost of production on it over a period of years.

Mr. LARSEN. Assuming that we organized a farm board with an efficient administration, it would seem necessary for it to ascertain the cost of production in the domestic field as well as in the foreign markets; would it not?

Mr. TEAGUE. It seems to me that that is a fundamental which you must get at.

Mr. LARSEN. I thoroughly agree with you in that statement. I think that, unless that can be done, there is no remedy.

Mr. TEAGUE. You can figure out how much it costs to plow and plant a piece of land and how much it costs to harrow and seed it.

Then you can figure out the cost of the material that you put into it, and all of the other factors that enter into the cost.

Mr. LARSEN. You spoke of the walnut industry.

Mr. TEAGUE. Yes, sir.

Mr. LARSEN. Did you refer to the English walnut?

Mr. TEAGUE. Yes, sir.

Mr. LARSEN. I would like to get a little information on that subject. How many of those trees do you ordinarily plant per acre?

Mr. TEAGUE. They usually run anywhere from 14 to 20 trees.

Mr. LARSEN. How long is it before they become productive?

Mr. TEAGUE. They begin to bear in about seven years. They go into what we consider profitable bearing in the eighth or ninth year.

Mr. LARSEN. What is the production of those trees when they are 10 or 12 years old, or at the height of their productiveness?

Mr. TEAGUE. I should say that the production would vary all the way from 500 pounds per acre to, perhaps, as high as 1,500 pounds per acre in some of the fine-bearing orchards.

Mr. LARSEN. When you promoted the organization for handling this product, what were you getting per pound?

Mr. TEAGUE. We were selling walnuts at 7, 8, and 9 cents per pound. One year we sold over 50 carloads at 6 cents per pound, and they were good walnuts, too.

Mr. LARSEN. What price are you getting now?

Mr. TEAGUE. The price has been ranging from 20 to 24 cents per pound, or along in there.

Mr. LARSEN. And you have, in the meantime, increased your production several hundred per cent.

Mr. TEAGUE. Yes, sir; it has increased very fast. As I said, the rate of increase has been six times the rate of population increase.

Mr. LARSEN. And, notwithstanding that, your prices have been increased.

Mr. TEAGUE. Yes, sir.

Mr. LARSEN. I think that shows the possibility and feasibility of cooperative marketing in such an industry, at least.

Mr. FORT. Mr. Teague, do you think that a plan of stabilization would really work at a nonprofitable price?

Mr. TEAGUE. I think that stabilization must be effected at a nonprofitable price; yes, sir.

Mr. FORT. You do not believe that on different commodities we can go into the matter of assuring a profitable price without running into overproduction?

Mr. TEAGUE. I do not.

Mr. FORT. Mr. Ketcham brought out a very interesting point with you on the matter of the conflict of policy between the effort to raise the price and the effort to stabilize it. The stabilization of seasonal dips and advances in general business was a fundamental policy in all the steps adopted by the Department of Commerce during the last seven or eight years, under the guidance of the present President?

Mr. TEAGUE. Yes, sir.

Mr. FORT. In the effort to eliminate alternating cycles of boom and panic.

Mr. TEAGUE. Yes, sir.

Mr. FORT. Do you feel that if we can do that with agriculture, we will be doing for it what we have been able to do for industry?

Mr. TEAGUE. Yes, sir.

Mr. FORT. Your program, in some respects, is more applicable to a concentrated industry, like the citrus fruit industry, than to a widespread industry like wheat, is it not?

Mr. TEAGUE. You are speaking now of the cooperatives?

Mr. FORT. Yes, sir.

Mr. TEAGUE. I said in the course of my statement that it would probably be many years before you could get sufficient control of such crops to effect any orderly distribution of them or a stabilization of the prices.

Mr. FORT. Somebody asked you the question of how you demonstrated definitely the success of your cooperative, and it occurred to me that, perhaps, a demonstration that you did not think of was the contrast between the situation of that industry in Florida and in California.

Mr. TEAGUE. Yes, sir.

Mr. FORT. In Florida, they have no effective cooperative organization.

Mr. TEAGUE. No, sir.

Mr. FORT. And the trade there is completely demoralized.

Mr. TEAGUE. Yes, sir.

Mr. FORT. On the contrary, your industry is in an excellent condition.

Mr. TEAGUE. Yes, sir; except during the season when we have to compete with them, during about half the year. When they are out of competition with us we have a different picture.

Mr. FORT. That is, your control is effective.

Mr. TEAGUE. Yes, sir.

Mr. FORT. It would be to your advantage, and to the advantage of all the citrus-fruit growers, would it not, if we were able to assist the Florida farmer to appreciate the advantages of cooperative marketing and to get him to organize his citrus-fruit industry.

Mr. TEAGUE. Yes, sir.

Mr. FORT. In many particulars, an industry like yours, or, for example, the cattle industry, which depends on a long program of production, is very different from an annual commodity like wheat and cotton.

Mr. TEAGUE. Yes, sir; very decidedly.

Mr. FORT. And we can not, by any legislative formula, devise a program that will operate in like degree on anything in which the production is so slow as in the citrus industry, and that will be identical in its operations on a thing that can be planted in the spring and harvested in three months.

Mr. TEAGUE. That is the reason I put it into two divisions.

Mr. FORT. Those slow commodities require a long range program.

Mr. TEAGUE. It requires a very long-range program.

Mr. FORT. I was speaking of the latter part of your statement——

Mr. TEAGUE (interposing). I think you will overlook a very important piece of legislation if you do not get behind that.

Mr. FORT. Your original mental reaction to this question was not favorable to stabilization with the Government backing the organization?

Mr. TEAGUE. No, sir. If you could make more easy the problem of the grower of staple crops, it should be done. His greatest problem is getting properly organized cooperatives for dealing with his consumer. That has got to be done in order to prevent those terrible depressions in the market.

Mr. FORT. Your first view was that the only practical thing to do was what Mr. Moser, representing a cotton organization, presented here, by working through the intermediate credit banks, but you now think there is a possibility of stabilization corporations making the situation more profitable to the farmer.

Mr. TEAGUE. I think it would be decidedly beneficial.

Mr. FORT. Your support of the Los Angeles plan is largely because you do believe that stabilization operations in the long run are likely to result in profit to the cooperatives that administer them, if they administer them buying at nonprofitable prices.

Mr. TEAGUE. Yes, sir. If it starts with a reasonable cost price as the basis of its operations, I do not see how it can lose, because the staple can not stay below the cost of production for any length of time.

Mr. FORT. What is your view as to the question of whether the board should be given power by us, in this proposed legislation, to proceed on its own initiative, or whether it should await some indication from the commodity concerned that its action was needed?

Mr. TEAGUE. My impression, as I stated in my paper, was that it would probably be wiser to provide for the commodity to begin by indicating through some reliable source, or through a committee representing the producers, or by the recognized cooperative what it desired. I think if you undertook to do it otherwise you might have some dissatisfaction among the producers.

Mr. FORT. You heard the testimony of various witnesses before the committee yesterday, did you not?

Mr. TEAGUE. I heard some of them. I was here during the afternoon.

Mr. FORT. The suggestion was made by two or three witnesses yesterday that, in setting up what has been called an advisory council, there should rather be set up a committee representing the commodity, purely of its own selection. What is your view on that subject, or what is your idea as to what the operations or functions of such a committee should be?

Mr. TEAGUE. I take the attitude, and my suggestion has been, that it would be the channel through which the commodity would approach the board.

Mr. FORT. As the spokesman of the industry.

Mr. TEAGUE. Yes, sir.

Mr. FORT. Would it handle the fund?

Mr. TEAGUE. No, sir; that was not the purpose of the advisory council. I would doubt very much the wisdom of giving every separate commodity funds to stabilize its own business.

Mr. FORT. The purpose of the advisory council was to give the board adequately trained men in each commodity to act as its advisors. One school of thought has been that they should be appointed by the board, and should constitute the representatives of the commodity, selected by the board, thereby becoming semigovern-

ment officers. The other school of thought that has become very distinct in the last few days has been that, instead of doing that, they should call on the commodity to select a committee of its own choice, not to be appointed by the board, which committee should be the channel of communication between the particular commodity and the board.

Mr. TEAGUE. I believe that is the right theory. This committee would have nothing to do with the purchase of the surplus, and I believe the latter would be the better plan to have. Then you could get a committee that would be representative of the industry.

Then you will know that your committee is representative of the industry, and not appointed, as it might be claimed, not representing the industry.

Mr. FORT. Some of the witnesses have also expressed the thought that in the interest of the producer himself it would be desirable that the committee should contain representation of the essential trades which handle a commodity. For example, I think Mr. Stone suggested that there should be a representative of the manufacturers of tobacco on the committee and of the public, in order that it might present to the board a complete picture of the trade in the commodity and not merely that of the isolated producer. What do you think of that?

Mr. TEAGUE. I should leave that to the commodity group. If they have that condition and where they are dealing largely with manufacturers, as the tobacco producers were, and wanted to do that, that is what I should do. If the board created a committee, it should fit their condition; I would ask them to do it.

Mr. FORT. Do you believe that we should, for the purpose of setting up these committees, leave to the board the discretion as to whether they should split the industry? Take the citrus industry as an example, say; would you split that into groups including grapefruit, oranges, and lemons, and have each regarded as a separate commodity; or do you favor the alternative provision to put them all together, instead of having one for each individual industry?

Mr. TEAGUE. I should think it would be better to group them where they are as closely connected as those you have mentioned.

Mr. FORT. Then you would leave to the board the power to decide whether a commodity belongs in a group?

Mr. TEAGUE. I would leave it with the industries themselves.

Mr. FORT. But we should give the power to the board to do that?

Mr. TEAGUE. Yes, sir.

Mr. MENGES. Mr. Teague, I was not here when you made your original statement, but I notice, in answering these questions that have been asked you, you have been laying considerable stress on orderly marketing.

Mr. TEAGUE. Yes, sir.

Mr. MENGES. How much of the success of your enterprise do you attribute to orderly marketing?

Mr. TEAGUE. Absolutely all of it.

Mr. MENGES. One of the professors of economics in the New York Experiment Station at Cornell has written a pamphlet in which he asserts that orderly marketing will not do any good.

Mr. TEAGUE. All I can say is that he does not know what he is talking about.

Mr. MENGES. I do not think a man has any right when he is employed by the Government to make a sweeping statement like that.

Mr. ANDRESEN. Mr. Teague, you gave us the full details of the plan for farm relief proposed by the Los Angeles Chamber of Commerce.

Mr. TEAGUE. So far as it was in my hands. I do not know whether they have worked it out any further, but that was a copy that I had in my possession.

There was a statement accompanying it in reporting to their board to the effect that if they desired to have them work out a complete bill they would be very glad to do so. But I do not know what became of that suggestion. I just had a copy of this plan.

Mr. ANDRESEN. Do you advocate that we write that plan into legislation so as to give it a trial?

Mr. TEAGUE. I am proposing that plan or something similar to it as what seems to me to be a solution of the problem. I would not be so bold as to suggest to you that any plan I would suggest should be taken, whole cloth, and written into legislation. But you are asking me to make suggestions, and I have tried to make what I thought were constructive suggestions, not criticisms, for your consideration.

Mr. ANDRESEN. I believe the suggestion you made is a very good one, and I want to question you along the line of your individual ideas as to that plan, although it might be theoretical.

The plan provides for the setting up of a corporation?

Mr. TEAGUE. Yes, sir.

Mr. ANDRESEN. In lieu of the board which has been proposed?

Mr. TEAGUE. You could, if you desired, still have an agricultural board that could function in some other respects to do other things, such as suggested by Doctor Shorthill, which would give over to this corporation the handling of all of its marketing problems. Or, it could be done directly by the board itself, if you see fit to do that. It could be done either way.

Mr. ANDRESEN. Your idea is that this corporation would function for all agricultural commodities?

Mr. TEAGUE. Yes.

Mr. ANDRESEN. Rather than have a separate corporation for each commodity?

Mr. TEAGUE. Yes; where it was asked to do so, at the cost, and buy everything that went below it and put it back on the market with the definite plan set up in the bill.

I do not think it is wise to give over to any commodity the handling of a large sum of money for the stabilization of prices without some definite plan as to how it is to be done. The judgment of men is so often influenced by their personal business and by the effect on their finances.

Mr. ANDRESEN. I see one advantage in not having a large corporation. You would cut down your overhead expense.

Mr. TEAGUE. Yes; instead of having 15 or 20 you would have 1 group doing it all, and the facts would be all laid down as to how they could operate.

Mr. ANDRESEN. In that corporation you would have separate divisions covering the various commodities?

Mr. TEAGUE. Just as much as it was necessary. But if you are operating on a certain fixed cost basis, all of those things would be gone into when the price went below those costs.

Mr. ANDRESEN. Would you have that corporation to be a cooperative association?

Mr. TEAGUE. Ultimately it would go back to the producer. So long as the funds are advanced by the Government and it has got this two or three hundred million dollars in there, it must have the appointment of that board. I should say they ought to be men of wide business experience, agriculturally minded, and with agricultural experience, if possible.

Then gradually the corporation would go over to the producers themselves when the stock was absorbed out of the profits of the corporation or out of the retain.

Mr. ANDRESEN. You advocate that the Government shall provide the original working capital of two or three hundred million dollars?

Mr. TEAGUE. Yes; that must be done. That can not be done by a lot of producers.

Mr. ANDRESEN. And in order to repay this you suggest that 1 per cent be collected out of each commodity?

Mr. TEAGUE. The plan proposes that. That may be too high. I think that is subject to careful investigation by statistical departments as to what per cent would be reasonable to retain, to be sure to cover your carrying charges. To properly operate you have got to cover the carrying charges of a commodity—cost of carrying its costs.

Mr. ANDRESEN. But you would build up a surplus and cover the carrying charges by a deduction from the commodity itself as it was sold?

Mr. TEAGUE. I would do so if that is a legal proposition. I do not know whether that is or not. I do not know whether you can by Federal legislation deduct from the proceeds of every man who sells a commodity, forcing a deduction of a certain percentage of his crops to be put into a corporation, later to be returned to him. I do not know whether that is a constitutional proposition or not.

Mr. ANDRESEN. That would be a sort of sales tax, I take it, which has been held constitutional?

Mr. TEAGUE. Yes. That is a lawyer's question.

Mr. ANDRESEN. You would cover all the commodities in the same way and compel every producer when he sells his product to pay that deduction?

Mr. TEAGUE. Yes, sir.

Mr. ANDRESEN. And in that way you would compel all producers to contribute to the working capital of this corporation, even if they did not care to go into cooperative organizations and participate in the functioning of this organization.

Mr. TEAGUE. Give them the stock and pay interest on it, and when the capital is paid up, then you would issue stock to a new group, and have a sort of revolving stock, to take care of each new set of producers, as it goes around.

Mr. ANDRESEN. I think that plan is very good.

Mr. ADKINS. Your citrus fruit industry is pretty well localized, is it not?

Mr. TEAGUE. It covers a considerable portion of California, all of the southern portion, and it goes pretty well up into central California.

Mr. ADKINS. You would have a different proposition than that of somebody dealing in a commodity such as grain, which is produced over the greater portion of the United States, would you not?

Mr. TEAGUE. Of course; I so stated in my statement.

Mr. ADKINS. You do not think we could cut out a pattern for all cooperatives, so that they could go along and operate under it, do you?

Mr. TEAGUE. No; I would simply put these forces of the Government behind the orderly organization of those cooperatives. whenever it was feasible to organize them.

Mr. ADKINS. Take the citrus-fruit industry. Say, for instance, you had 40 acres, or whatever unit you might use. Is the prdouction from those acres fairly constant and uniform from year to year?

Mr. TEAGUE. No; it varies a good deal.

Mr. ADKINS. What is the variation?

Mr. TEAGUE. There is quite a wide variation, particularly in oranges. Valencia oranges vary a good deal in different years.

Mr. ADKINS. In reference to this question of cost of production, I was loking over a record recently of 26 years' production on 112 farms, covering their production of grain. Three times in 26 years it was over 500,000 bushels, and once it was under 300,000 bushels. Of course, with all these variations of production, the cost per unit of production varies.

Mr. TEAGUE. Of course.

Mr. ADKINS. In some years you would have a large number of bushels and in other years a much smaller number.

Mr. TEAGUE. I would take a long-time average.

Mr. ADKINS. To make a rough guess, I would say in the case I mentioned the average would be about 420,000 bushels in 26 years. You would have to take the average to see what it would be.

Mr. TEAGUE. That is a matter for statisticians and economists. They can study the facts and get the figures.

Mr. ADKINS. The idea of this whole proposition is surplus control; at least that is what they have been talking about.

The local cooperatives in our part of the country have stabilized the cost of handling grain for the local markets, and that is fairly uniform now through the stabilizing influence of the cooperatives.

The other proposition, as I see it, in regard to the surplus, stabilizing the market, is an entirely different proposition.

Have you thought of this proposition enough so that you could give an answer to the question? If your organization thought it was possible under its organization for you to take over this job of marketing 200,000,000 bushels of the next wheat crop and stabilizing the market, do you think it would be a good business proposition to tackle that job?

Mr. TEAGUE. You mean to go out and buy it in on the expectation of being sure to make money out of the transaction?

Mr. ADKINS. To make money out of the stabilization of the crop.

Mr. TEAGUE. If I had a very large amount of money and the farmers of the United States would make a proposition to me that they would sell me their product whenever it falls below cost, and

they would sell to me below the cost line and I had the means of carrying that and taking care of it, I am sure I could make money, that I could make a large amount of money out of it.

Mr. ADKINS. That is the theory.

Mr. TEAGUE. It is all theory, of course.

Mr. ADKINS. You would have to go into the open market and buy it on the open market.

Mr. TEAGUE. I would only buy when it got down under those conditions, below the cost line.

Mr. ADKINS. You seem to be an authority on big business. We had before us yesterday a man who is perhaps one of the most representative men in the grain trade, and I think he knows his business. I asked if he considered that would be a good business proposition and he said no.

Mr. TEAGUE. Did you ask him whether he would buy below the cost line, or did you ask him if he would buy at the average price prevailing?

Mr. ADKINS. Have you ever known of any man in the grain business who is smart enough to know when the low point is reached in grain?

Mr. TEAGUE. I was not speaking of that. I would know when the cost point came and would be willing to buy it whenever it went below the cost line. It would not stay below for any great length of time, because the producers can not live under such circumstances.

Mr. ADKINS. We did manage to live for five years way back in the nineties when it was below the cost line.

My point is this, and I would like to have the opinion of a very good business man who has had any experience in handling commodities in a large way—my point is that this stabilization corporation, if they will come up and organize, will not come and ask for funds to go into the business of buying and stabilizing the market.

The thing I wanted to get into the record was the opinion of a man like Mr. Wells, who was here yesterday. I think his opinion is worth something. I wanted to get from him what his notion was of that matter as a business proposition, if he is stabilizing the market. The point I want to get is the opinion of a good business man on this proposition. Of course, he would have to assume the loss or the gain. I want to know whether you think it would be a good business proposition to do that. That is what I was asking you.

Mr. TEAGUE. I do not know whether I answered it to your satisfaction or not. We are apt sometimes to be pleased with the judgment of those whose opinions agree with our own. Maybe mine does not agree with yours.

Mr. ADKINS. The point is, it is up to your judgment, when you think you ought to buy, and whether you want to borrow this money. I was asking you whether you would consider it a good proposition to borrw money and tackle that job.

Mr. TEAGUE. I think it would be good business if I could borrow money at a low rate and have no particular time in which to repay it, and to buy in an agricultural product when it dropped below the cost, what I would determine to be the reasonable cost for the

reasonably efficient producer, because I am very sure it would not stay there and cause me to lose my money.

Mr. HOPE. In your organization do you have to make any attempt to limit production?

Mr. TEAGUE. The only attempt we make at limiting production is the assembling of full information on production, including the number of orchards that there are—that is, the number of bearing orchards and the number of nonbearing orchards, the trend of consumption and production, pointing out the dangers to our people, if we are approaching the dangerous point. That is as far as we can go.

Mr. HOPE. That has been effective in keeping your production within the limits of consumption?

Mr. TEAGUE. Not entirely so. One of the penalties of any organization that can stabilize prices and bring back a profit to the producers is the inviting in of other producers, and they are not always easy to handle.

Mr. HOPE. Of course, in the citrus industry, I believe you said 25 per cent of the producers are outside of your organization?

Mr. TEAGUE. Yes.

Mr. HOPE. Do they pay any attention to the information which you give out relating to production?

Mr. TEAGUE. That is very difficult to determine, as you will appreciate. I do not know.

Mr. HOPE. I wondered if you thought that had any effect.

Mr. TEAGUE. We give it out to the members and to the public. Our universities and our statistical departments gather these facts and we give them out and interpret them. One of the difficulties in connection with statistics sometimes is getting them interpreted so that the average man will know what they mean.

Mr. HOPE. Have you always been able to stabilize your gross price above the cost of production?

Mr. TEAGUE. We had some difficulty for a couple of years in the lemon business when we were not able to do so. That was due to the fact that our growers were not working closely enough together. We had an overproduction of 30 per cent that had to go to by-products on a salvage basis, in the lemon industry.

We went through two years when the average producer did not make any money. We formed a closer arrangement to give information as to the average distribution of the crop that moved from day to day, to meet the market demands of the day, and we were able to stabilize the price so as to bring back to our producers after that a profit on that which they shipped, but notwithstanding that from 25 to 30 per cent went to by-products on a salvage basis.

But that is very difficult to do. You can only do it when you have a very large percentage in the organization working very closely. You can not hope to do it in connection with your large staple commodities where you reach so many people, because I think you can take this to be a fact. Some people think that if you have 100 per cent of a commodity in a cooperative then your problem is solved, but they are mistaken, for the reason that you must get those growers that are in the organization to cooperate and regulate their shipments to meet the demand, and if you have an overproduc-

tion the tendency always is on the part of the shipper to ship whenever he can bring back anything on his cost of production rather than lose it. If you have too much he insists on shipping.

So I say again as I said before, you can not set aside the laws of supply and demand. You have to ultimately, within a reasonable length of time, bring your consumption and your production into balance. Your problem is to try to stabilize, but if you keep on producing a surplus your problem increases until you are sunk.

Mr. HOPE. What is your practice in disposing of a surplus? Do you try to carry it over and feed it into the market gradually, or do you dispose of it as soon as you can?

Mr. TEAGUE. You can not do that with a perishable crop, of course.

Mr. HOPE. Only to a limited extent.

Mr. TEAGUE. What we do is this. Usually, in the case of lemons, they are stored until they approach the point where they are not good further for shipment, and if we see that we have more than the market will take, the oldest, that is, those that are not the best fruit for shipment, then go to by-products on a salvage basis. But we ship all the market will take and still maintain a reasonable price and profit to the producer.

Mr. HOPE. What would be your idea in disposing of the surplus of a commodity? Do you think it advisable to get rid of that surplus as soon as possible, or to hold it on the theory that you will be able to dispose of it better at a later date?

Mr. TEAGUE. My idea is if you buy that staple crop in at cost, that is, the cost of the reasonable producer, you have a commodity that keeps, and the price can not stay there long, and then it should be put back on the market when the conditions are more favorable.

Mr. HOPE. The reason I asked that question is because a representative of the Staple Cotton Producers' Association stated the other day that his idea was to get rid of the surplus as soon as possible, his theory being that it did not pay to hold the surplus, that the effect on the market in the future was more disastrous than the benefits to be derived from holding it over.

Mr. TEAGUE. It is not advisable to do that.

Mr. HOPE. You do not agree with him on that proposition?

Mr. TEAGUE. No.

Mr. BRIGHAM. Mr. Teague, in view of your great experience in cooperative marketing in connection with perishables, I would like to have your opinion as to what the potato producers could do in a year like this to improve the price of their commodity.

Mr. TEAGUE. What could they do?

Mr. BRIGHAM. Yes. Let me outline to you what one witness has presented to this committee as the condition. He said that the overproduction was about 100,000,000 bushels, following an increase of planting of 14 per cent that followed three years of favorable prices, and that nothing could be done with this 100,000,000 bushels in the way of making them up into by-products, that practically nothing could be done except the absolute destruction of this surplus.

Is there anything that could be done to assist the potato industry under those conditions?

Mr. TEAGUE. I think something could be done, but I do not know whether it is possible to do it. That is another question. If it were possible to have all of those potato growers in a cooperative, if I had

them all in our organization and could take their surplus and put it into storage and put the rest on the market at a price that would return a reasonable price to the producers and still encourage consumption to the limit, that is what I would do with them.

Mr. BRIGHAM. You are familiar with the outlook reports issued by the Department of Agriculture, are you not?

Mr. TEAGUE. I have read them to some extent; I have not always read them all.

Mr. BRIGHAM. Do you think it would be the best way to try to avoid overplanting and the creation of such a surplus by giving advice to the producers?

Mr. TEAGUE. I think everything should be done along that line that you can do, but quite often the farmer does the opposite from what you advise him to do. He thinks all the other fellows are going to take the advice except himself.

Mr. BRIGHAM. Is there any way to remedy the penalty that he suffers by having him adjust his production?

Mr. TEAGUE. I do not know of any. I think that is an unwarranted interference with private initiative.

Mr. BRIGHAM. Are you familiar with Mr. Lloyd Tenny's organization? Mr. Tenny appeared before the committee the other day. He was formerly in the Department of Agriculture.

Mr. TEAGUE. Yes; I am familiar with it.

Mr. BRIGHAM. Is your organization a member of it?

Mr. TEAGUE. No; we have no grapes.

Mr. BRIGHAM. Mr. Tenny or Mr. Conn presented a section which was suggested to be incorporated in this legislation.

Mr. TEAGUE. I am familiar with that.

Mr. BRIGHAM. You are familiar with the provision that transportation in interstate or foreign commerce would be denied to producers who did not conform to the industry program of the organization?

Mr. TEAGUE. It is very unwise, I think.

Mr. BRIGHAM. You would not favor a compulsory organization?

Mr. TEAGUE. No; I would not. I would never favor any compulsory cooperation. As far as I can see it, if by Federal legislation you produce a 100 per cent monopoly of any commodity, or of the producers, if you go that far, you have to go the next step in the interest of the consumers and regulate his prices, and I do not believe agriculture, with the varying conditions, can depend upon the public regulating their prices.

Mr. JONES. Mr. Teague, if provision were made for the organization of independent stabilization corporations with the power to go in and buy under the circumstances which you have detailed, would that not tend to discourage cooperative organization? Would not the knowledge that a Government corporation that would be organized for the purpose of handling a commodity when it gets low had been provided for further tend to make the man on the outside say, "Well, we will let Uncle Sam do it"?

Mr. TEAGUE. I should say that would depend entirely upon the basis for operating. Obviously, if they were to operate on a cost basis, I do not think it would interfere with the development.

Mr. JONES. If the grower knew that if his commodity got below a certain level, here was a great independent corporation organized by

the Government to buy it, would he not say, "What is the use of the cooperative organization?"

Mr. TEAGUE. But they only buy it at or below the cost line. It still leaves an opportunity for the cooperative to operate in the field of efficient marketing above the cost line.

Mr. JONES. And a great many of them in the stable commodities have had difficulty in that.

Mr. TEAGUE. Yes; I grant you that.

Mr. JONES. Do you not think, if you are going to encourage cooperative marketing and you can organize these stabilization corporations, if they are to be organized, that they should be organized under the cooperatives, or by the cooperatives?

Mr. TEAGUE. No; I do not think so. The reason I do not think so is that these industries you are trying to help are not organized cooperatively, and it will take a long time before you can get them cooperating and help them in that way. I believe the other plan is sounder.

Mr. JONES. If they will not organize now when there is no United States Government corporation to buy when these commodities get below the cost line of production that you have outlined, would not there be an even less tendency for them to organize, and a less motive for them to organize if the Government was going to step in?

Mr. TEAGUE. As I look at that proposition, there is some point below which prices would not go, and if we can keep them from going below the cost I would be willing to operate cooperatives on the basis that they could make a showing as against my competitors above the cost line.

Mr. JONES. I agree that that is the correct philosophy, but what I was getting at is that that would make even more difficult the successful organization of cooperatives; make more difficult getting people to come into cooperatives.

Mr. TEAGUE. If you approach it on that theory, you can not do anything to help them.

Mr. PURNELL. If there are no further questions, thank you very much, Mr. Teague.

## STATEMENT OF MERTON L. COREY, SCARSDALE, N. Y.

Mr. PURNELL. State whom you represent, Mr. Corey, if you will.

Mr. COREY. I represent nobody. I came in response to a summons from the committee.

That you may have the background from which I speak, I will say that I was for six years general attorney for the Federal Land Bank of Omaha. The day after the intermediate credits act was passed by Congress I was appointed a member of the Federal Farm Loan Board, assigned to the work of the organization and management of the Federal intermediate credit banks.

After two years of service on the board I resigned to take up my residence in New York City, and there represented various cooperative groups in their relations with the New York banks in borrowing from them, and so forth, and as an adviser in the business management of cooperatice marketing associations.

In the summer of 1926 I was asked by the Federal Intermediate Credit Bank of Baltimore, which had loaned some $9,000,000 to a

tobacco cooperative, covering the States of Virginia, North and South Carolina, to go down and collect the money. I went down and I am still down there.

That association is an example to which I shall refer for some features of the cooperative program which do need congressional attention.

Of the $9,000,000 of debt to which I have referred we have collected so much of it as to reduce the debt to something like $250,000. So we are seeing daylight there.

Last summer I obtained leave of absence from the five Federal courts under which I am working there, at the request of some of the Florida people, to take charge of the organization campaign for the organization of the citrus growers of Florida.

We conducted a three months' campaign there and organized what is known as the Florida Citrus Growers' Clearing House Association, with about 8 per cent control of the fruit crop of Florida.

I have no prepared statement, so if you see fit upon any particular point to interrupt me, it will be quite all right.

Let me say this at the outset. The all-important thing from a legislative standpoint is where you are going to put the emphasis on your program. You approach your task with an unfortunate public attitude with respect to the problem, a natural public attitude following a heated political campaign, when folks said all they could in the way of promises and perhaps more than they ought to have said.

The public expects—that is, a part of the public and a very substantial part of the public—that this Congress is going to write legislation that will suddenly lift agriculture from, in some departments of it, poverty to prosperity. I hope you can do it; but I know you can not. If you place the emphasis upon the emergency legislation, I hope it will be successful as the public hopes it may be. I do not think it will be.

I do not think there is going to be any farm relief, as the public expects it, this year or next year or 5 years from now or 10 years from now, because you can not have farm relief without the working out of sound business and financial policies; and that is a problem of organization and evolution and growth.

I said that I deem it especially important that the emphasis be put at the right place. In this particular, let me call your attention to two things:

First, shall it be an emergency program, or shall it be a long-time program?

Second, shall you approach the problem with the view of saving everybody in the industry, or shall you put the emphasis upon the producer?

Now, on the first proposition: It is easy to give an academic answer as to what is necessary for the farmer to have restored his prosperity. The academic answer is that the farmer ought to have a fair return for his capital investment and his labor, and that the banks and other agencies, which have loaned the farmer, may be assured that he shall have such net return and shall pay a fair rate upon the capital invested.

I have been pretty slow personally about thinking of an emergency program. I believe that something ought to be done. I believe

that stabilization corporations will assist in the matter. But I believe that if those stabilization corporations are used as a substitute for the long-time business program in two or three years from now there is going to be widespread disappointment in America.

There are 12,000 cooperative marketing associations in the United States. You know something about the failures of the big ones. I have been seeking to administer, as receiver, the second largest cooperative marketing association in America.

But do not let us lose sight of the fact that all over America among those 12,000, among the dairy group, the cranberry crowd, and other groups throughout the country, in an inconspicuous way little groups of producers have been materially aided through the adoption of a farm-business program.

It is when you wrestle with the problem of staple crops, of cotton, of wheat, of tobacco—the nonperishables, grown so extensively throughout America and the world—that we have our difficulty, and it is there particularly that there should be an attempt to cooperative with the established cooperative-marketing associations, to provide additional support in the surplus years.

Some folks have said that there can not be anything done about that, because there is no way to dispose of the available supply, even though the Government takes it off the market.

Let me recount a personal experience that I had in that matter. I had no desire to go South and abandon my business, as was necessary, to take over this work. But my friends in the Baltimore bank, with whom I have been associated when in official life in Washington, asked me to pledge them that I would go through on the whole program with them in the South, at least until the $9,000,000 was collected. I said I will go on one condition, and that is this: We have got 72,000,000 pounds of tobacco there. That is a surplus. Otherwise it would have been bought up. There is tobacco there as old as the 1922 crop. I shall not go with you unless the Federal Intermediate Credit Bank of Baltimore will respond to every demand from us to lend us money, to support an orderly marketing program.

They said, "We will do it."

There have been times since then, in January 1, 1927, the receivership was absolutely insolvent. The price of Virginia dark fired tobacco broke to 45 per cent of the bankers' valuation on that tobacco. The bank had loaned 65 per cent on it, and on that day if we had attempted to sell our tobacco and the physical properties, some several hundred warehouses throughout those three States, it would have been demonstrated that we were absolutely insolvent.

We practically refused to sell any Virginia dark-fired tobacco. We cooperated with the United States Department of Agriculture. We cooperated with the Virginia Department of Agriculture and we urged upon the growers to reduce their production.

The average annual production of Virginia dark-fired tobacco was 43,000,000 pounds. Last year they grew 21,000,000 pounds.

As a result of that, with an orderly marketing program, we have been able to pull ourselves out of insolvency; we will pay back the $9,000,000 of indebtedness to the Baltimore bank within the next few weeks, and we will distribute from a half a million dollars to three-quarters of a million dollars to the grower members of that associa-

tion. That is an example, of course, of what orderly marketing can do.

If I were charged with the responsibility of writing legislation upon this matter, I think, as I said a moment ago, I would look first of all to the cooperative marketing associations—12,000 of them in America. They need support, and the Government which goes to their support, providing what I shall later suggest the essential things to make cooperative marketing successful, will be in a position to say to the producers of America, viewed from a political standpoint: "We gave you all the machinery of self-help. If you have failed to use it, it is your responsibility and not ours."

That is a cold-blooded way of looking at the thing, and I am saying that in view of conditions which suggest to me the need of some emergency legislation.

I just came back from my old home State of Nebraska this morning. I realize that cooperative marketing is a difficult problem in Nebraska. We have got this condition to face, a thing that is responsible for the failure of many banks, and so forth: In one year the average price of land in American dropped from $170 per acre to $139 per acre. In two years' time the farm income dropped from $15,000,000,000 to $9,000,000,000, and lands were purchased and mortgages given and country banks loaded with subsidiary and secondary liens based upon that farm income and those excessive land values.

You can not go out with the present disorganized condition in cooperative marketing, in tobacco particularly, because I think every tobacco association in the United States except the northern Wisconsin pool have ceased to operate—you can not correct this situation without some extra emergency legislation that will support the cooperatives, which have so small a membership in these particular lines.

There are three difficulties, so far as the farmer realizing a fair return for his commodity is concerned: First, uncontrolled surplus; second, disorganized marketing; third, cumbersome and extravagant distribution machinery. No Government is rich enough to support an uncontrolled surplus and disorganized marketing. You may support it this year; you may provide an emergency fund of $300,000,000; but until the farmers themselves organize this can not be of permanent assistance to the farmers.

Emergency legislation of the character I think you are considering ought to be written with the view of a temporary prop until the farmers themselves can complete their organizations. If all the farmers in every commodity were organized as cooperative marketing associations, they would take care of two of the most important problems the farmer has to face. First, the whole essence of cooperative marketing is shortening the route between the producer and the consumer. That would mean an elimination of much of the excess distribution machinery. Second, it would give the growers, if they were sufficiently organized, bargaining power, because with a reasonable control of the commodity they are in a position to deal with respect to the price.

I do not know what you may find as a result of your investigations here, but I undertake to say that your findings with respect to marketing and distribution will be no more profound and no more nearly to the point than the joint commission reported in

1921. That is the reason that I said at the outset that if a congressional committee has in mind the reorganization of agriculture upon an industrial basis, the producer is not going to get very much out of it.

I wish that you might look, as you doubtless have from time to time, at what happens to fruits and vegetables between the time they leave the producer and reach the consumer. Take the charts as shown in this report. The same is true with reference to wheat, and so forth. The truth of the matter is that while industry has progressed in many, many particulars, the farmer, while he is using the products of new industry and paying a higher price level for them, is using old, antique marketing practices.

The emphasis must be placed not on keeping everybody out of the 29,000,000 now engaged in handling, in distributing the products, but the emphasis must be placed upon shortening that route and dismantling much of that useless machinery.

If the cooperative marketing association is the answer to the problem, why has it not accomplished what it should? Why have the tobacco associations ceased to operate?

What I shall say here does not refer to associations, for example, like the Burley Association of Kentucky.

The associations failed in Richmond, covering those States, first, because it had incompetent business management. Second, because of the tremendous power of the middleman interests. Third, because of inadequate financing.

There is not any place in the picture, when you start to think about it, between the tobacco farmers' delivery of his basket of tobacco to the loose-leaf floor, and Liggett & Myers and the American Tobacco Co., and so forth, which changed the character of that tobacco.

As a matter of fact, these middlemen interests, the speculative interests, because they could guess better on values, because they were better financed, had been able to make tremendous profits out of the tobacco business. The route should be the short route between the producer's association and the manufacturer. Why have they not done it? The United States Department of Agriculture made a study of the failure of that association. As I said, we had tobacco there as old as 1922 and 1923. The farmers who delivered that tobacco saw their neighbors getting 100 cents on the dollar for their tobacco when they delivered it to the loose-leaf floor, while those who delivered it to the association got only a percentage. They owed the time merchant and the country bank. They could not be loyal if they chose to be loyal.

So a part of the program which I shall later suggest, hinges upon that problem of more extensive production credits for the farmers.

Another thing, when you come to deal with emergency legislation: We are wont to speak of agriculture as though it were one industry, in the same terms as we refer to the steel business. Why, agriculture is a composite of a multitude of interests which are absolutely conflicting. Let me give you an example. A former client of mine, when I was in New York, was the Eastern States Farmers Exchange, which buys corn and wheat to make up their feed formula for distribution to the New England dairy farmers. We incorporated for them a mill at Buffalo that they might make up their own formulas.

Emergency legislation of any character which forces a higher price level for wheat and corn, helps one branch of agriculture but hurts another branch of agriculture.

If there shall be a solution of the farm problem with fairness to all, then there must be a correction of the machinery of agriculture so that through the working out of economies in operation, etc., those economies will benefit both groups.

When I first started to study law, they told us in the construction of a new statute we should examine first of all the old law, the mischief, and then we were in a position to determine what the legislature was attempting to apply as a remedy.

As a matter of fact, Congress has already put the farmer in this position—and just briefly I want to recount these, because it gives us a starting point for further legislation:

It passed the farm loan act for the long-term amortization loans.

The Federal intermediate credits act capitalized 12 banks in the United States with $5,000,000 of United States Treasury fund and giving a debenture issue power of ten times capital and surplus.

The Federal Intermediate Credits System to-day has got the power to lend $750,000,000 to individual farmers through rediscount corporation and directly to cooperative-marketing associations.

In 1926, as has been referred to, you gave special power to the United States Department of Agriculture, through the setting up of the cooperative-marketing division.

All the States have cooperative marketing laws and most important of all, you passed the Capper-Volstead Act, that gives organized groups of farmers the right to combine for the specific purpose and with the power, if they choose, to force a higher price level for farm commodities; and the court, which is an unusual thing, that passes upon the question as to whether or not there has been an undue enhancement of price level is the United States Department of Agriculture itself.

There are two types of cooperatives, both of which comply with the Capper-Volstead Act; the popular type, known as the 1-man 1-vote type, with a democratic control given absolutely to the members of that cooperative marketing association.

There is another type of cooperative that is possible under the Capper-Volstead Act. If the dividends of a capital stock cooperative are limited to 8 per cent, and if they handled at least 50 per cent of the product so handled by them from members of that particular group, then they too are entitled to all the benefits of the Capper-Volstead Act.

One of the great mistakes in cooperative marketing development in America was the assumption in the beginning that you can take one plan and apply it to any commodity in any section of America and make it work. It can not be done. It can not be done any more than you can take two or a dozen business organizations incorporated under the one business law and have them follow the same practices and get exactly the same results.

So, so far as the dairy groups are concerned, so far as many of these other groups are concerned, the 1-man 1-vote democratic control proposition is all right. But, in the last analysis—the farmer is learning this—if folks quit talking so much about democratic control from political platforms he will learn it the sooner—

from a business standpoint the farmer is learning that the important thing is not the character of his organization but the net results he gets from that organization.

I might take this commodity that I have been identified with lately in Florida, fruits and vegetables. They are grown in every State in the Union. It is a difficult problem. The association handles perishables. Its principal problem is the problem of distribution, economical distribution and control of shipments so that at a given time and place there shall not be on that market more of the commodity than can be marketed at a fair price.

What is the answer to that problem? I do not believe it is possible in America to organize one cooperative or to federate enough cooperatives in America to wrestle with that problem.

I can tell them—perhaps a man running for office can not—I can tell them that generally speaking the growers of citrus fruits are not qualified to handle the difficult problems of distribution and organization and finance to make a success of the fruit business.

In my judgment, the answer to that is this: That the organization must employ the same business and organization and merger genius with reference to the handling of the farmers' commodities, fruits and vegetables, as business employed with reference to their particular commodities in 1920, when business was just as much distressed as agriculture. This can be done. There are banking institutions, there are individuals, I am sure, who are prepared to assist in the organization of strong corporations for the particular commodities which lend themselves peculiarly to this type of cooperative marketing. And, as I say, there would be a limit of 8 per cent on the capital employed, and there would be a provision that all profits over and above that must be distributed among the growers.

When we get down to the legislation required, I am not going to say very much about this proposed corporation for fear you will ask me some questions about details. I do not know whether anybody knows very much about the details of the proposition or not. I know I do not. I believe such a corporation should be set up.

There will be a farm board. The importance, as all of us have observed, is not the specific provisions written by Congress with reference to the business policies that a farm board shall follow, but the important thing is the personnel of the board, their bigness to grapple with the problem; and if I were writing such a measure, gentlemen, it would seem to me that I would give broad powers to take care of emergencies as they arose, and leave out most of the details of the plan.

Now, I come to this: If there was ever any sympathy or determination to keep the farmer loaded with the old antique expensive machinery of distribution, there can not be any sympathy with that suggestion that I know of now. The cooperative marketing associations in America had been handicapped from the credit standpoint in two particulars. That was shown in a study that the United States Government made of those failures in the South. It was shown in some sections of those three States that 75 per cent of the growers were absolutely dependent upon production credit, and at times the merchant and country banker insisted upon a liquidation of their debts at harvest times. Now, no cooperative marketing association can survive in that atmosphere. Particularly I would say

that in Mr. Bledsoe's territory, in that cotton section, one of the most difficult problems is to handle this cotton under an orderly marketing program. One of the greatest difficulties is the danger of the defection of the growers, when they have no place to borrow money. I suggest this: That there must be a further expansion of loans through the intermediate-credit system, so that these growers may be provided with funds to support their organizations in an orderly marketing program.

Now, doubtless, some of you gentlemen participated in this joint commission, and you are familiar with it. Perhaps all of you have read the report. If you have not, I can commend to your careful reading at least the first few pages of this report. I want to read just one or two paragraph from it. I suggest that you read from the report, beginning on page 3, and ending on page 13. I will read from the last paragraph on page 8:

> During the period of development of new commodities and new services the American standard of living rose to a higher plane than that of any nation on earth, and the cost of living advanced in proportion to the public demands for or acceptance of comfort, convenience, and superlative service. More and more people entered the fields of industry and distribution, and competition became increasingly severe. A constantly increasing proportion of the population found employment in the activities of handling, transporting, storing, converting, and distributing commodities and meeting new demands for supplemental services. Out of the spread between the producer and the consumer compensation for all of these people must be found, and this brings the American public face to face with the problem of devising a less expensive and more efficient system of distributing the absolute essentials—food, clothing, shelter, and fuel.

Gentlemen of the committee, I doubt not there has been stressed before you this thing of an emergency fund to take care of what is termed an emergency. I do not stress that. It is important. Just how it shall be used depends upon a wisely selected board. It can be helpful; it can take production off the market, and it can exercise a potent influence as a price factor. In the long run, the governors of the various States and the legislatures of the various States are beginning to realize this situation. The Governor of North Carolina recently appointed a commission to make a survey of his own State, and, also, that has been done in Virginia. That is happening all over the country. In the long run the big job of the farm board, with its administrative powers, will be to substitute for the Agricultural Department. The Agricultural Department has largely been in the past, because it was limited by law, simply an advisory board. That board, with such powers, and with such funds available, with all of the 12,000 cooperative marketing associations in America, handling quite a few dozens of products, can take the lead. If they can have the money to back them they can take the lead in the merger of the competition of cooperative groups, which have been more disastrous in competition than have been the individual groups. Their survey will demonstrate to them what, with a particular commodity, under particular conditions, with a particular type of organization, should be done. They could determine what should be set up to take care of that problem.

Now, the agricultural machinery is the same now as it was when I was a boy. I got back from my boyhood home this morning, and if I should take the time to stand on the street corner and watch the farmers haul their produce to town, I would see that they were using

the same means that they were using 30 years ago. Of course, they would have motor trucks but the marketing process would be just the same. Surely, in view of the fact that business has found that the old business machinery was antique, and in view of the fact that they have reorganized and overhauled the whole system of business machinery within the last 10 years, we can see that the farm board has before it a task, and surely they will ascertain that much of this machinery used in distribution is unnecessary. In some commodities and in some years, if there could be saved the farmer the excess cost of getting his product from the farm to the market, he would have this profit that he wants, but can not get now, because there are so many people handling his commodities. Now, if that is to be accomplished, how is it to be done? I would suggest just another type of credit. I would be greatly disappointed if, with my limited knowledge of the cooperative-marketing situation in America—I should be greatly disappointed if your committee should fail to find that the cooperative associations in this country do not need financial support in taking over physical plants and equipment. That is necessary if they are going to shorten the route between the producer and the consumer. That does not require any intricate legislation. You have the intermediate credit system, which may make loans through any rediscount arrangement with an agricultural credit corporation or through country banks.

It may make direct loans to cooperative-marketing associations. It has been selling short-term debentures at a very low price, or it had been doing so until the speculators got control of the money market, so that the farmers and everybody else are being compelled now to pay a higher rate of interest because of that situation. Generally, however, as I have said, those debentures have been sold at a low price. Now, if the intermediate credit act were amended to provide loans for a period, of say 10 years, or should provide that such loans could be made to cooperative-marketing associations, organized under the other branch of the law, it would greatly help the situation. If they could make long term or 10-year amortized loans to cooperative associations, that would eliminate one of the other serious hadicaps in the development of cooperatives. If you are now to eliminate some of the middlemen in marketing farm produce, then you must equip the growers with capital to take over the marketing machinery. That can be handled in one of two ways, by the intermediate-credit banks. Of course, if they sold debentures with long maturities, it would be a second-class debenture carrying a higher interest rate. Otherwise, you might provide a special fund out of which these loans could be made, without requiring the selling of any Government securities.

In conclusion now, let me summarize a statement about the farm program that is anything but sensational, and which recognizes that in the long run there is not going to be any farm relief except through a slow and gradual working out of business and financial policies. Any program set up here that encourages the public to believe that, through the building up of a $300,000,000 fund or a $500,000,000 fund—I care not what it may be—farm relief is going to be accomplished, I am sure will lead to widespread disappointment in the country. In the last analysis, the farmer and his own

organization must work out their own salvation. If you create a farm board I sincerely hope that it will not be at the expense of the old established or long established cooperative-marketing associations of this country. The farm board should have as its closest adviser, just as close as any business cooperator, the cooperative-marketing associations already established in America. I was impressed with what Congressman Jones said this morning. The danger, after all, in this program is the danger that he pointed out. If the public is led to believe that the Federal Government, with unlimited funds, is ready to step in at any time to insure a fair-price level for a farm commodity, I do not think that will be a complete answer to the situation. I do not think it is an unanswerable objection to it, but there is a danger point, and I would take care of that dangerous proposition, if you please, by putting the proper emphasis upon the established cooperative-marketing association.

Now, in conclusion, let me summarize some of the things I have in mind: The Government should have a constructive loan policy. A very interesting thing is this, if you please, that after the Government, with one hand, has been spending millions of dollars in reclaiming desert land on which to produce a surplus, that same Government is struggling on the other side to relieve the public from the serious consequences of that surplus. I know all this sounds prosaic, but, in the last analysis, the United States Department of Agriculture and a wisely selected and capable farm board can work the problem out on the basis of a long-term program. It can strengthen the economic research and educational work of the Department of Agriculture, and it can help to eliminate waste in the marketing and distribution of farm products. That is a problem for the farm board to tackle. Emphasis should be placed on the widening of the market. When I was not selling tobacco fast enough to suit either the court or myself, and not knowing enough about the tobacco business, I decided to go over to Europe in 1927 and sell directly over there. The Government has set up a marvelous system, so far as it has gone, for the assistance of American trade in developing European markets. I visited eight countries, and I said that instead of selling to those southern middlemen I would sell directly to the government monopolies and foreign buyers. I sold a little and learned a great deal more. I certainly learned this one thing, and that is, that in every American commodity there is room for expansion and education. The expansion of that program in the foreign field is work for the farm board and is work for the Department of Agriculture. I should hope that adequate funds would be provided for that purpose, and that there should be a study made of all farm commodities in the foreign markets, with a view to expanding those markets. I am repeating when I say—and I repeat it because I deem it of special importance—that the extension and expansion of loans to individual growers, and to cooperatives particularly, is important, in order that they may be provided with funds with which they may take over some part of the middleman's machinery.

That is all I have to say, gentlemen.

(Thereupon the committee took a recess until 1.30 o'clock p. m.)

AFTER RECESS

(The committee resumed its session at 1.30 o'clock p. m.)

Mr. KINCHELOE. Mr. Corey, do you think that the plans upon which cooperative marketing associations have been founded in the past have been sound?

Mr. COREY. The machinery is all right, and the principle is sound. However, the application of the principle has not always been sound.

Mr. KINCHELOE. I think you are the only man who has made a statement with reference to cooperative competition being more disastrous than the individual farm competition.

Mr. COREY. Yes, sir; because it is organized competition.

Mr. KINCHELOE. That is the main reason why I have always been for the Yoakum plan. His idea, as he has forcefully stated it before this committee more than once, has been that the eventual solution of the cooperative marketing association problem is to have commodity cooperatives nation-wide in scope. I think he is right about that. I understand that you were winding up a tobacco cooperative in Virginia.

Mr. COREY. Yes, sir.

Mr. KINCHELOE. What was the probable cause of that failure?

Mr. COREY. Inefficient management, inadequate financing, and the disloyalty of the growers.

Mr. KINCHELOE. Do you mean that the growers withdrew?

Mr. COREY. Yes, sir; we started with 55 per cent of the tobacco crop in Virginia and the two Carolinas, and in their last year's operations they had only 15 per cent. The other was the effect of the position of the middlemen's interest.

Mr. KINCHELOE. Were those cooperatives insolvent?

Mr. COREY. As I said, we will be able to pay the creditors in full.

Mr. KINCHELOE. The two cooperatives we had in Kentucky were solvent?

Mr. COREY. Yes, sir; I know they are.

Mr. KINCHELOE. You quoted from the report of a joint commission this morning. Was that the report of the Sydney Anderson commission?

Mr. COREY. Yes, sir; in 1922.

Mr. KINCHELOE. We have had two commissions of that sort that I know of. We had one that was appointed by President Harding.

Mr. COREY. This was President Harding's commission.

Mr. KINCHELOE. This Sydney Anderson commission was another commission. If you were speaking of that other commission, or if you were quoting from its report, we had several members of that commission here before the committee, shortly after their report was printed, and, to be frank with you, we did not find that any of them knew what was in the report. So, from my experience with the gentlemen that we had before us here, I would not place much credence in anything in the report, if, in fact, they wrote it. Of course, I think that Sydney Anderson is one of the best versed men in agricultural economics in this country.

Mr. COREY. I do not know who wrote the report, but I do agree with many of their conclusions with reference to marketing and distribution. This report was submitted by Mr. Anderson.

Mr. KINCHELOE. Then, that is not the report I have been talking about. That is a good report. Now, do you agree that the ultimate success or solution of the agricultural problem in this country, if it is ever reached, will be through cooperation, in one form or another, by the farmers?

Mr. COREY. Yes, sir; I think that is the ultimate answer to it.

Mr. KINCHELOE. What do you think this committee can do in the way of a bill to further enhance cooperatives in this country, having more associations, if necessary, or more farmers going into them?

Mr. COREY. Extend the powers of the Unted States Department of Agriculture in its division of cooperative marketing, and give the farm board real power to make a survey and to exercise some real administrative functions in mergers of cooperative marketing associations. Particularly, you should directly afford the cooperatives the opportunity of taking over plants and equipment, by providing a fund with which they may purchase those plants.

Mr. KINCHELOE. I am very familiar with the cooperative bill we passed, establishing this system of cooperative-marketing information, or the cooperative-marketing division in the Department of Agriculture. I do not know how much money Congress has given them, but we gave them plenty of power. I am frank to say it has not been a howling success, in my opinion. I do not think they have done much. Whether that has been because of a lack of finances, I do not know. I do know, however, that it is not due to any lack of power given them under that bill.

Mr. COREY. I dislike to differ from you, but I think they have made a distinct success, and have made remarkable progress. They have had that division for only a short time. They lack something, of course, that doubtless you will give the farm board. There is only a certain distance that they can go but this farm board ought to be able to actually complete the machinery for the mergers, and so forth, of cooperatives.

Mr. KINCHELOE. You would not favor any overlapping of the functions of that board with functions of the division of economics in the Department of Agriculture, would you?

Mr. COREY. No, sir; I think their fields can be kept distinct. I think that the general economic studies side of the thing should be left in the Department of Agriculture, and that the administrative side should be left with the farm board.

Mr. KINCHELOE. Do you think that the intermediate-credit banking law ought to be amended so as to provide money on longer time loans?

Mr. COREY. For that particular type of loan—for the acquirement of plants and equipment; yes, sir. That would be a very great help in the grain section, for example, in the acquirement of elevators, terminal facilities, and so forth.

Mr. KINCHELOE. Do you think that these farm cooperatives should go so far as to operate processing plants?

Mr. COREY. Yes, sir.

Mr. JONES. In handling this cooperative tobacco organization, and its business, you said that you saved the creditors. Did you save the cooperatives?

Mr. COREY. No, sir. It became apparent that it was useless to try to do that. They started with a membership control of 55 per cent of

the crop, and in the last year of operation we controlled only 15 per cent of the crop. Manifestly there was no basis upon which it could be rebuilt.

Mr. JONES. You said advancements had been made up to 65 per cent of the value of the tobacco, and that its value finally went down to a level of 45 per cent, which was a good deal less than the amount of the loan.

Mr. COREY. Yes, sir.

Mr. JONES. It was a question of pulling it out.

Mr. COREY. Yes, sir.

Mr. JONES. If you had had charge of it originally, you would probably not have advanced 65 per cent on that kind of market, unless you had had control of the whole crop, or approximately the whole crop.

Mr. COREY. I dislike to criticize my client, but I think it was a pretty heavy loan, of course.

Mr. JONES. You spoke of a land program, and I do not think that can be emphasized too much. I think everybody will agree with that general statement. Yet, when we come down to individual propositions, they are frequently complicated with other things. One of them had a power problem blended with it. The individual projects are sometimes difficult ones to vote against. There will be additional propositions, although the sentiment is being crystallized. I am glad to hear you emphasize that phase of the work.

Mr. COREY. I made my statement as a generalization. Of course, I realize there are many individual bills. I was not criticizing any particular bill.

Mr. JONES. I am just indicating how difficult it is, but there should be further preachment on the subject. Further preachment on the subject may enable us to stop individual projects.

I was also interested in your discussion of production credit; and that is a thing which a great many of the discussions of this question have overlooked. As a matter of fact, in Texas, in many instances, the cotton man pays 10 per cent interest on his money. The banker will advance sometimes, taking a mortgage on the crop, as much as 12 or 15 cents a pound on his cotton. Now, I do not know that the banker is altogether to blame for demanding the sale at the time the cotton comes on. I talked to two or three of the bankers last fall. I told them that the indications were that cotton would go up. They said they thought so, but it might go down, and that if the cotton were sold immediately he would get the bank's money, but if they carried it on, they took a chance, and he was handling trust funds. I think the production credit which you have discussed is an important element in this field.

There is one other thing that I would like to ask your thought about. You discussed the mthod of making the most of the marketing system; and that has absorbed most of the discussion here. Don't you think that the additional cost which is imposed on the producer of a surplus commodity under the tariff system makes a situation that would not enable him to be on a parity even though he made the most of the marketing system?

Mr. COREY. You are suggesting that the tariff should be increased on agricultural products?

Mr. JONES. The general scheme of the tariff necessarily increases the cost of what the producer buys, does it not?

Mr. COREY. Yes.

Mr. JONES. Or it is not an effective tariff. There would not be any occasion for enacting it. Now, on commodities such as wool, where the benefit of the tariff can be obtained, of course it can be equalized. But on a surplus commodity, is there anything in the plan that you have suggested, or in the plan of marketing, that will enable a producer to have his returns equalized with the returns of the general system?

Mr. COREY. That is, through an increase of tariff duties on staples?

Mr. JONES. Yes. It would not do any good to increase tariff duties on an export commodity.

Mr. COREY. I am not sure that I get you. But, of course, when you couple the tariff with your farm program—I do not want to discuss the tariff, but ofttimes the farmer has found—I hope he will not find this time—that he trades a few duties for some very substantial duties for the other fellow.

Mr. JONES. Yes; that is very true. What I was leading up to was this: One of the biggest farm organizations in America advocates a plan in reference to export commodities of issuing export premium certificates, measurably equivalent to the tariff, to be used in payment of customs duties on commodities generally, the effect of which would be to enable the producer of export commodities—I mean commodities that are grown on an export basis or in export quantity—to take his export commodity into foreign countries and trade it for other commodities and bring it in tariff free. Have you ever given any study to that plan?

Mr. COREY. I have read the bill.

Mr. JONES. Do you think there is any other way to give the producer of a farm commodity that is grown in export quantities an equal chance with the others?

Mr. COREY. Well, the McNary-Haugen bill followed that general principle, did it not?

Mr. JONES. Yes; those two bills undertake to do that, and with some measure of success. Do you know of any other plan that will do that, conceding that you might be able to make the fullest success of it?

Mr. COREY. I do not know of any other plan proposed; no.

Mr. JONES. The grower of this export commodity must buy his supplies in the general market that is affected by the tariff. He can not, so far as anything that has been proposed by the committee is concerned, get on an equal basis with the others unless one of those two plans, as I see it, is advanced.

Mr. COREY. That is true; yes.

Mr. JONES. I appreciate the fact that he can be helped, and would be helped materially, by a better use of the marketing facilities and more orderly marketing of his commodities.

Mr. COREY. Yes.

Mr. JONES. But he could not be brought to the level of the other fellow by any plan that has been suggested here except one of those two, as I see it.

That is all.

Mr. KETCHAM. Mr. Corey, from your experience in connection with this tobacco cooperative with which you have recently been associated, could you give us any idea, in percentage or otherwise, of what, in your judgment, is the loss in the process of distribution between the cooperative and, say, Liggett & Myers? As I recall it, you said that there was no appreciable change that took place in the tobacco itself from the time it left this cooperative until it reached the processor, and yet there was considerable toll levied there by the distribution agencies. Can you express, in percentage or otherwise, what you think was that loss, and what saving could have been had by eliminating the process of distribution?

Mr. COREY. No, sir; but those figures must be available—the farm price and the ultimate manufacturer's price. I do not know what it is, but it could be obtained.

Mr. KETCHAM. The reason I asked that question is that you made the statement that it was a very considerable amount, in your judgment, and you thought that it made the difference between profit and loss on the production end. I wonder, if, in your own mind, you had ever worked that out in a safe percentage.

Mr. COREY. No, sir; but it has been worked out on tobacco as well as on every other crop.

Mr. KETCHAM. Could you not venture a sort of general statement? You can qualify it in any way you wish. You would not be on that trail if you did not think there was a substantial reward as the result of your efforts.

Mr. COREY. Let me answer that question indirectly.

Mr. KETCHAM. All right.

Mr. COREY. And this will suggest what I meant when I said, if you are going to have a farm board, do not hamstring them. Get the right kind of men, and then meet business problems according to the peculiarities of those problems.

Take your tobacco problem. What is it? This tobacco is largely consumed by American manufacturers. There is no reason for the American farmer bringing in his tobacco, putting it on the looseleaf floor, and then allowing pinhookers and middlemen to take that tobacco and outguess the farmer on its value, because they know something of grades, and so forth, and sell it to the manufacturer at a profit. The approach to that question is an approach to a fair adjustment of the whole farm problem with the American manufacturers. There is no reason that the American manufacturer of tobacco products should not assure the cooperative organized group of farmers that they will buy the tobacco directly from them. There is no place for the middleman there; and when they do, then all of this middle stuff is cut out. I am sorry I can not give you the figures, but I can say this: I am not a southerner. I did not come in contact with this until during the last two or three years. But it is interesting to note, throughout the whole of the South, the large number of tremendously rich men who have been made in the tobacco business, who never owned a processing plant, and who never did anything but take the tobacco from the farmer and sell it to a manufacturer.

Mr. KETCHAM. Would you say that 5 cents a pound would be too large?

Mr. COREY. Oh, I do not want to guess on that. I would be glad to try to get you the figure.

Mr. KETCHAM. I will not follow that any further.

Now, also basing my question upon your experience—and, by the way, may I stop to say that I think it was a very interesting experience, and you are to be complimented upon the success with which you have conducted the affairs of the organization——

Mr. COREY. Thank you.

Mr. KETCHAM. Now, from that experience, and from the knowledge that you gained in it, do you say that you believe that in the tobacco business a cooperative, with all the safeguards and means of assistance that are proposed, can be made successful?

Mr. COREY. Yes, sir; I think it can be. And I would go back to my other point there. I hope the approach of the President to this whole problem, speaking through his farm board, is going to be the same analytical approach that he made to the problem of industry. But there is a real distinction in the problem. When he called industry in, in 1923, the responsibility on industry rested with industry itself to correct its machinery. There was no specific problem of the elimination of various groups, and so forth. But when you approach the agricultural problem, it ought to be approached from this standpoint. There is a place for capital in it. Pardon me for talking about this, but I want to make the distinction. That has been the whole basis of my viewpoint on the matter.

Capital is everything in industry. It provides the basic capital in the form of securities in preferred stock, bonds, and so forth. It provides for the fixed assets, and capital subscribed by the common stockholders furnishes all of the grist with which industry is run.

Now take the farmers' situation. Let me draw you this parallel there.

Basically then, industry relies upon the common stockholder that furnishes most of the money. Basically, agriculture relies upon the produce, because the basic capital required in agriculture is comparatively limited in plants, and so forth. But the common stock in agricultural pursuits is furnished by the farmer in the form of produce; and that is the reason that, in my judgment, the drift in this country will be toward a use of basic capital with a limit of 8 per cent dividends, but providing—because capital will not put up the money unless it does so provide—continuity of stable management to secure capital that it is not going to be wrecked by extreme democratic control, and that the common stockholder will be the farmer, who furnishes the commodity, and will get the profits over and above the fixed interest on these securities that capital takes.

Mr. KETCHAM. Just one more question. You have already answered the third question just now, by stating that in your judgment we must give more attention to the development of this second class of cooperatives that heretofore have not been given very much attention.

Mr. COREY. Yes.

Mr. KETCHAM. I would like to have you answer this one in addition, because I do not know whether anyone else will think of it or not. You have had a very fine experience and would be enabled to give the committee a lot of help. Would you please suggest, in answer to the question that has been raised by several, as to specifically what can

be done in the way of broadening the facilities of the intermediate credit banks? That does not come before our committee, but we are mightily interested in it. Would it be any lengthening of the loan period, changing the loan limit, or providing that you get down to the individual a little more directly? In what manner would you suggest some modification of the intermediate credit act?

Mr. COREY. Only in this respect: The intermediate credit bank now has power to make loans up to about $750,000,000 through the sale of debentures. That debenture is on rediscounted farmers' notes and has the indorsement of a banking institution or industrial credit organization that it represents loans on staple products stored in warehouses on Government receipts. That is a high type of security, and therefore commands a low market rate. When you come to make loans upon plant and equipment, let me cite you my experience when I came to liquidate this tobacco association. We had to sell all those warehouses, receiving plants, and so forth. We lost two and one-half million dollars on the sale of their property. It sold—I am sorry I can not give you the percentage—for less than 40 per cent of the purchase price. Now, that is a more precarious security. Therefore, both from the standpoint of the safety of the security and also from the standpoint of enabling the cooperative to work out a longer-term program, you must adopt a part of the amortization feature of the Federal land-bank loans and give 10 years, say, to pay it back. If you do, then you must do one of two things: Either provide a separate fund for the intermediate-credit banks for this particular type of loan or create a new class of debentures that will command a higher market rate—not confusing the two.

Mr. KETCHAM. That is all.

Mr. FULMER. Mr. Corey, I want to say to you, sir, that while we have had a number of good statements before this committee, you have come more nearly speaking my views than any other witness who has appeared before this committee since we have been holding these hearings.

It is my contention that to render any great service to the agricultural interests we will have to establish a real marketing system and weed out a number of these middlemen and parasites that are now getting the difference between the price received by the farmer and the tremendously high price paid by the consumer.

I have been asking these questions all along of the different witnesses. In fact, I asked the Secretary of Agriculture the other day whether or not he thought that in this proposed legislation the board should give assistance in the way of money and any other assistance possible in establishing clearing houses, terminal markets, and marketing facilities whereby the farmer would have more nearly the control of his product from the farm to the ultimate consumer. It is my experience in the South, in buying and selling cotton and in buying and selling fertilizer, that the farmer loses complete control of his commodities at the first market, just as in selling your tobacco, and a great many men will come in during the cotton season and buy the farmer's cotton and manipulate between the farmer, the mill, and exporter and make more real money than the farmer will make out of his entire crops during the whole 12 months with all of his labor.

Mr. COREY. That is right.

Mr. FULMER. It is also my contention that we should not forget about trying to improve the production. We are now spending millions along this line, but we should spend more money and more time in doing research work, finding new uses for farm products and in creating new markets for that which we produce.

Another thought that you brought out—and I agree with you absolutely, and I have been asking the witnesses along that line—is production credit. If we had this credit extended, for instance, through the intermediate credit bank to cooperative associations or corporations organized by cooperative associations to deal with farmers, so as to furnish this money direct to the farmer, then in the fall instead of the farmer being called upon by the merchant or the banker to sell his cotton at once to pay his obligation, it could go through his association and take its regular course, and thereby he would get the advantage of the very best price by orderly marketing, proper grading, and direct selling.

There is just one point that you did not mention in your statement that I have been stressing here, and that is the buying end of these organizations. What do you think about this board rendering some assistance in helping these cooperative organizations in establishing buying agencies to bring about a broadening power in the way of buying certain things that they should have in their operations; fertilizer, for instance?

Mr. COREY. What specifically do you have in mind to help them?

Mr. FULMER. Through some buying agency, so that they could buy collectively. In the South to-day in buying fertilizers we have a number of middlemen between the manufacturer of fertilizer and the farmer. It has occurred to me that we might have some buying agency, and that the board might render the same assistance to this agency as it would to the marketing end, so as to buy collectively For instance, they might have fertilizer plants for mixing fertilizer, and all that sort of thing.

Mr. COREY. It is very important. I am not sure, however, that it needs any congressional legislation. Buying societies in various sections of the country are making a very great success of it. The Ohio Farm Bureau Federation purchases a tremendous amount of fertilizer and passes it on, on a cost basis, to their membership, and they have made a splendid record.

Mr. FULMER. There is just one thing that I have been worried about in connection with this legislation. It has been impossible for farmers to get together in the way of organization in the past to the extent that they could control their commodity or do the things which they should do. Now, in the event that under this legislation, and under this new board, farmers are unable to organize, is it your idea that the Government then should set up machinery and do the things that the farmer should do for himself, but can not because he is unable to organize?

Mr. COREY. I think the Government should support the cooperatives in their program. I think we have stressed too strongly—although market price is in large measure dependent upon volume of control—but we have stressed control sometimes too strongly. There are associations with only a small percentage of control that are making a success of the cooperative associations. Why should

not an association that enjoys tax exemption, that enjoys all of the other benefits of existing legislation—why should not such an association, with 20 per cent control, operated as efficiently as a business institution handling only 20 per cent of the commodity, make as much money for the growers as the business institution makes for its stockholders? And so the emphasis in many sections and with many groups is around more efficient management, because the net result must be the same as with the business group which takes the same amount.

For example, I had a client at one time that was a tobacco cooperative. We analyzed their situation. They controlled 40 per cent of the crop. They sold to 140 concerns handling their tobacco. This cooperative, handling 40 per cent of the crop, was not making very much of a success of the thing, and yet, of the 140 concerns handling small percentages of the crop, business men applying business practices to the farm commodity were returning profits to the stockholders.

There is only one answer to it, and that is that the cooperative ofttimes is not managed efficiently.

Mr. HALL. Mr. Corey, this morning you told the committee about your experience in reducing the tobacco acreage down there. What kind of a campaign did you put on among the growers to reduce their acreage?

Mr. COREY. I did not seek to claim credit for that myself. We cooperated, but the active field work was done by the Department of Agriculture and the Virginia Institute at Blacksburg, through their county agents, and so forth. Of course, I presume that the thing that counted more than all the agitation was the drop from 100 per cent down to 45.

Mr. BRIGHAM. In acreage?

Mr. COREY. No; 45 per cent of the price. It does not take very much argument when you drop the price that way.

Mr. LARSEN. Mr. Corey, I have been very much interested in your statement, and I have considerable interest in the problems, and in finding a solution of the problems of the tobacco growers in my section. With us it is a new or comparatively new industry. We grow in Georgia, in that part of the State from which I come, what is known as the cigarette type of tobacco.

Last year one man came to me with this problem and asked for my solution. He said: "I planted 5 acres of tobacco this year. It grew on the same character of soil, the tobacco was planted at the same time, cultivated in the same way, gathered at the same time, and cured in the same barn. I made five sheets"—I believe he called it sheets, or maybe trays—"I brought them to the market. For one I received 10 cents, for another 12, for another 14, for another 16, and for the fifth 18 cents. Now," he said, "it was all the same tobacco, and I want you to tell me, if you can, where the trouble is." Of course I was not in a position to solve his problem. Now, if you have ever had such a problem or come in contact with those who have, you ought to know something as to its cause and solution. I would like to have you, if you can, make some suggestion to me on that problem.

Mr. COREY. My suggestion is that the farmer is helpless. You have seen them auction tobacco on the loose-leaf floor, have you not?

Mr. LARSEN. Yes.

Mr. COREY. That is the reason why things happen as they do. The farmer brings in the tobacco and puts it on the loose-leaf floor. He is more handicapped than the farmers from my section of the country, where they grow wheat. He can not take it back home. He can not do anything with it but sell it, and with an organized buying among the folks interested in tobacco, he is completely helpless. He has got to take whatever they will give him.

Mr. LARSEN. In other words, your answer to the problem is that it is the defective manner of sale?

Mr. COREY. Yes, sir; that is right.

Mr. LARSEN. And the advantage that is being taken of him by those who are purchasing his product?

Mr. COREY. Yes, sir.

Mr. LARSEN. In our section—I do not know whether it is true everywhere, but we have men who auction off that tobacco in Georgia who are supposed to be Americans, and to speak English, but they never speak English so I or practically anyone else of average intelligence can understand them when they are auctioning off tobacco. Have you seen such cases as that?

Mr. COREY. Yes.

Mr. LARSEN. What do you say of that system?

Mr. COREY. I should think the men auctioning would qualify for train criers in our union depots. [Laughter.]

Mr. LARSEN. Is their manner of auctioneering conducive to the business interest of the producer?

Mr. COREY. Oh, no; of course not. It is a slipshod, ancient method of marketing, and they have got to get away from that.

Mr. LARSEN. And it is detrimental to the producer?

Mr. COREY. There is no question about that.

Mr. LARSEN. Is that system conducive to the interest of the purchaser, generally speaking, or why is it carried on?

Mr. COREY. It is not so conducive to the interest of the ultimate purchaser. It is the middleman who always profits.

Mr. LARSEN. That is the man who is on the ground buying it, is it not?

Mr. COREY. Just let me illustrate it with this point: Last year, down in Florida, where I was interested, they grew, I think, a fifteen or sixteen million box crop of citrus fruits. They sold it for $56,000,000. This year their crop will be 22,000,000 boxes of fruit, and they will sell that crop probably for less than what they got for their 16,000,000 boxes last year. It is just lack of opportunity to control the movement of a surplus production, of course.

Mr. LARSEN. Does the producer of tobacco in sales of this kind suffer by reason of the fact that he is not capable of grading tobacco or knowing the grade of the tobacco that he is selling, under the system that I have just mentioned as prevails in my locality?

Mr. COREY. Even with the unquestioned serious results of the failure of that big association—as I said, the second largest in America—with all the bad things about it, the net result is good, because for the first time the farmer has been taught to think something about standardization and grades.

Mr. LARSEN. Of course, the individual farmer can not grade it. I can see probably an advantage if he were selling through a cooperative association; that the cooperative association might employ a man who was a judge of grades and would grade it for them and thereby he would get the benefit of the grade. But how is that going to be applied to the individual producer who is not inside the organization, unless the Government furnishes at each tobacco warehouse some agency or some individual who will grade the tobacco?

Mr. COREY. Well, that is an insuperable obstacle. It has got to be through the organized group, of course.

Mr. LARSEN. Your idea is that there should be somebody handling it and selling it who is conversant with the grades?

Mr. COREY. That is right.

Mr. LARSEN. And who, therefore, knows what each grade is worth, and sells it accordingly?

Mr. COREY. That is right.

Mr. LARSEN. It is a very difficult problem to grade this tobacco?

Mr. COREY. So difficult that I do not know what it is all about, and I have been in it for about three years. A man has to grow up with the business. It runs to hundreds of grades, according to color, texture, and so forth.

Mr. LARSEN. Do you mean to say that applies to all tobaccos in general? For instance, would it apply to the cigarette tobacco grown in Georgia? Are there hundreds of grades in that?

Mr. COREY. There are a lot of grades. If you want information on that, you would have to ask some technical man.

Mr. FORT. Mr. Corey, as to the basis of your organization, of which you are now receiver, was that a cooperative association, built up of local cooperatives, or was it one organization spread over three States?

Mr. COREY. It was one organization spread over three States.

Mr. FORT. In your experience with the general cooperative movement do you believe in that type or in the type that is federated from small local cooperatives as being preferable?

Mr. COREY. It is not only preferable the other way but it impaired the organization when they reorganized. They must center around particular types, federated in their financing, their sales, and their major activities.

Mr. FORT. That is true of practically all forms of cooperation, in your opinion, is it not?

Mr. COREY. Yes, sir; covering large territories.

Mr. FORT. You said something about putting finances in the hands of the cooperatives for the purpose of enabling their members to hold the crop and assist in orderly marketing. Your idea is not so much production credits, as Mr. Fulmer suggested, as it is moneys in the hands of cooperatives to enable them to lift the mortgage on the crop after the crop is grown; is that right?

Mr. COREY. No; it is both. That is, you understand what the condition is. The commodity is itself delivered to the cooperative association, which makes only a percentage advance on the crop, generally speaking, on tobacco 50 per cent and on wheat usually not over 75 per cent. When he gets only 50 per cent the average of these farmers has not got enough to pay his time merchant and country banker.

Mr. FORT. You have not quite understood my question. There are two lines of thought on the kind of money to be given the cooperative. One is that we should loan to it for the purpose of making production advances and the other is to put the cooperative in the position of being able to lift the mortgage on its member's crops for the promotion of orderly marketing if the time merchant is pressing for payment, still leaving production loans in the same form in which they now are.

Mr. COREY. That does not seem to me to be very sound banking. That is, if you have an agency that can make production loans and it has the capacity to expand to take care of all the necessary loans, there ought not to be any special Government fund to relieve that agency.

Mr. FORT. I think we are not very far apart. I want to pass on now to another subject. Do you think there is any advantage in the assistance to cooperative purchasing, as a way of taking care of this production advance proposition, in part?

Mr. COREY. Yes; undoubtedly. But let me answer that just a little further, Mr. Fort.

The situation in most States is such now that it will permit farmers to organize purchasing societies. I do not have in mind any legislation necessary on the part of Congress to further that business plan.

Mr. FORT. We have had some witnesses from purchasing cooperatives asking that they be taken in under the general umbrella so that they may be able to get loans.

Mr. COREY. I see now what they have in mind; that is, I suppose they want the intermediate credit banks empowered to make loans upon the stored commodity or in transit. There could be no harm in that, and it would be helpful to them.

Mr. FORT. You have said you favor a 10-year amortization plan on facility loans. We have had some evidence to the effect that various cooperatives would like that to be a 20-year amortization plan. Do you think that is too long?

Mr. COREY. That is a question that ought to be studied. It involves the problem of depreciation, the type of plants, and so forth. I should say that the period should be sufficiently long to take care of every type of cooperative, and then leave it to the board, because of the peculiar character of the property inolved, to determine what that period should be.

Mr. FORT. You have spoken of the situation of cooperation to some extent between the trade interests and the cooperative interests in the handling of commodities. We have had some evidence here in the last three or four days from cooperative leaders to the effect that it would be of great assistance to them if we provided in this legislation the machinery whereby representatives of the trade dealing in the agricultural commodities, or manufacturing them, could join with the commodity council, or commodity committee, in making representations to the board as to a program. Do you concur in that view?

Mr. COREY. Congressman Fort, you are going to have to choose, before you get through with this thing, as to whether or not you are going to seek to conserve the middleman's interest or make the bill designedly for the producer.

Mr. FORT. Let us take, for instance, the tobacco manufacturer.

Mr. COREY. The man who takes the commodity in its raw state and adds value to it in a manufacturing, an advertising, and a marketing process is necessarily a part of the picture, and has got to be considered.

Mr. FORT. And it is also true, is it not, as a part of making that program possible perhaps, that now for the first time in our industrial history modern industry has learned the lesson which agriculture must learn, that stability of price, both of its raw material and its finished product, is the only safeguard to continued prosperity, rather than alternating periods of boom and depression?

Mr. COREY. Yes.

Mr. FORT. So industry would be in a mood now perhaps to deal along those lines, whereas it would not have been even five years ago.

Mr. COREY. Yes; but this report says that of 41,000,000 people engaged in gainful occupations, 29,000,000 are engaged in these various distribution processes.

There will be unceasing opposition to any plan which presupposes the elimination of the unnecessary middlemen groups, and you are not going to get very far in your farm-relief program unless the farmers in their group organizations are willing to be assisted, and the Government is willing to assist the farmers into the same efficiency in business reorganization that business has done for itself, and that the farmer can not do for himself.

Mr. MENGES. I was impressed with the statement you made in your opening remarks that the old way of handling products which is now in existence has to be abandoned. If I understood correctly, that is what you said.

We have been endeavoring to legislate to get that very thing accomplished for the last 10 years, and we are not there now. I would like to know what idea you have about the accomplishment of that purpose.

Mr. COREY. It is only a repetition of what I have said, that a wisely administered farm board with broad powers and business capacity can make agriculture a business success, just as the big-business men and banks have made for business, and with the support of adequate Government funds and stability in the business the thing can be helped very much. But it is a matter of years and business organization.

Mr. MENGES. You do not think it can be accomplished by a bill being passed by this Congress such as we have in view, do you?

Mr. COREY. Why, of course not; I can not believe anybody else thinks so, who knows anything about the farm problem. It is not a thing that can be solved by any panacea. If you support it temporarily you have to continue to support it, and the United States Government itself is not rich enough to support uncontrolled production and disorganized marketing. It just can not be done.

Mr. MENGES. You are concerned about the surplus; are you not?

Mr. COREY. Yes.

Mr. MENGES. You think a reasonable surplus is a dangerous thing?

Mr. COREY. No; I think that a reasonable surplus ought not to have been used by the speculative trade for jamming down the price as low as they could get it. But the farmer has been helpless because he has not been organized to resist that sort of situation.

Mr. MENGES. Would you wipe out the surplus if you could?

Mr. COREY. If I could get a proper price for it, I would.

Mr. MENGES. I do not think this surplus is such a damaging thing. I believe, as Mr. Taber said yesterday, and as I have held for years, that it is the greatest safety for the ultimate consumer that we can have. I do not think it ought to be made the bugaboo it has been made by the people who are advocating farm-relief legislation.

Mr. COREY. Yes; but it is used pretty effectively by the trade. Let me give you an illustration there.

We have 72,000,000 pounds of tobacco surplus. When we went to the trade to sell that tobacco their answer was, "Well, look at your surplus; you have 72,000,000 pounds."

When the farmer went to sell his tobacco they said, "Look at the surplus that the defunct cooperative is holding, 72,000,000 pounds." And it is a bugaboo.

Mr. MENGES. Surely it is; and I recognize that fact. But you went about it in an orderly way, so far as the handling of it was concerned, did you not?

Mr. COREY. That is my hope in the proposition. That is, given adequate Government credit with the board, it seems to me that the surplus, if you could carry it along, that is the surplus of the staple nonperishables, and have that surplus adequately supported by the Government, in time the producers, or if not the producers nature will equalize the thing so that by holding it a reasonable time the surplus will cease to be a surplus.

Mr. MENGES. Then, you hope by orderly marketing to find a way out—that is, to use orderly marketing as one of the agencies to get the farmer out of the trouble he is in?

Mr. COREY. It is the most important agency. I am not seeking to speak for others who perhaps know more about this legislation, but emergency legislation means to me a recognition of the undoubted serious condition in the Middle West, for example, in connection with the wheat problem, and so forth. This emergency legislation means to me the support of every surplus problem until the cooperatives can get on their feet and wrestle with the problem successfully themselves.

Mr. BRIGHAM. In the warehouses of the tobacco cooperative of which you were appointed receiver, as I understand it, you had 72,000,000 pounds of surplus tobacco?

Mr. COREY. Yes.

Mr. BRIGHAM. And credit facilities were created to enable you to hold that?

Mr. COREY. Yes.

Mr. BRIGHAM. And you conducted an educational campaign through the Department of Agriculture?

Mr. COREY. We did not; they did.

Mr. BRIGHAM. To curtail production of tobacco, with the result that you disposed of the surplus at a fair price and the industry was restored to a good condition.

Mr. COREY. Yes.

Mr. BRIGHAM. You were, it would seem, much in the same position that the Federal farm board would be in respect to wheat. If a stabilization corporation could be organized and financed to take off the market in case there was a surplus, a considerable quantity of wheat, and accompany that with a program of curtailment of production so

the market in future years would absorb this surplus carried over the wheat-market situation might be restored to a healthy condition; is that not true?

Mr. COREY. Yes.

Mr. KINCHELOE. May I ask Mr. Corey one more question, Mr. Chairman? I do this because we are closing these hearings, and I think probably you are the only witness that would be qualified to answer it.

I am frank to say there has not been any witness before this committee who has answered it to my satisfaction.

Mr. COREY. I am sure I can not then.

Mr. KINCHELOE. I do not know. I want to get your idea about it.

I realize, and so does everybody else who has studied this proposition and studied this proposed legislation, that if it is going to be a success, you have to have a cooperative farm program. That is what you will have to have, and you are not going to force the American farmer to do anything.

Mr. Stone stated here yesterday, speaking of overproduction, the overproduction in burley tobacco was from the nonmembers, and not from the members in the organization. He said that the members realized that the cooperative was a blessing and a salvation to them, and yet they realized that the fellow on the outside, the fellow across the fence, as he expressed it, got the benefit of the increase in price and got all his money down. These fellows on the inside, notwithstanding the fact that the organization was solvent, and notwithstanding the fact that they were helped and every one of them realized it, said, "We are not going to hold the bag any longer; we are either all going in or all going out."

We members from agricultural districts may not know as much about the cooperative methods as you gentlemen do, but we do know something about what is in the farmer's mind.

What can this Board do, and what can we put in the bill that will be an incentive to go out and get those fellows back who were in the cooperatives, or get those in who were never in, in order to get this higher percentage, unless there is some method of financing it whereby this farmer who has heretofore been getting only 50 per cent of his money down is going to get it practically all down?

Mr. COREY. That can not be done.

Mr. KINCHELOE. How are you going to get them in; that is what I am talking about?

Mr. COREY. I venture to say that if you had asked Mr. Stone that question he would have told you that one of the reasons for the disloyalty, if it may be called such, of the membership who signed contracts, was their inability to wait for the slow, orderly marketing processes. My suggestion is an expansion of production credits which I think will help on that problem.

Mr. KINCHELOE. Do you not think you ought also to have an expansion of marketing credit so they can get help in that direction, and so they can hold the crop?

Mr. COREY. That is the loan to the cooperative association. I was talking about the individual.

Mr. KINCHELOE. I am talking about the individual farmer.

Mr. COREY. The individual farmer does not hold it himself; he delivers to the association.

Mr. KINCHELOE. But the association holds out about 50 per cent, or 40 per cent, of what is coming to him, and you know that tobacco is raised principally by farm tenants who have to have their money. The individual farmer is not going to know anything about the psychology of this legislation.

There has to be some way to go out and get him into this association. I wondered what special inducement we can put in the bill to get him in the organization.

Mr. COREY. You can not put in any special inducement, except a provision for the liberalizing of the loans to the individual, and making the cooperative stronger for the work of the association by giving it the money with which to acquire plants and facilities. I do not know what else you can do.

Mr. KINCHELOE. And thereby increase the percentage you pay back to the farmer when he puts it in?

Mr. COREY. No; I do not think you can increase the advances to the farmer safely.

Mr. KINCHELOE. I wondered how you were going to get him in. You are not going on with the same argument you had before and get him in.

The CHAIRMAN. Senator Fine, we will hear you now.

## STATEMENT OF HON. CHARLES W. FINE, SHEYENNE, N. DAK., MEMBER OF THE STATE SENATE OF NORTH DAKOTA

Mr. FINE. Mr. Chairman and gentlemen of the committee, first, I might tell you who I am. I am a farmer; I make my living by farming. I live on a farm, which comprises about half a section in North Dakota, and I perform most of the work on the farm myself, except during the very busy season. My address is Sheyenne, N. Dak.

The CHAIRMAN. You are a State senator, are you not?

Mr. FINE. Yes; representing the county of Eddy in the Legislature of North Dakota.

I will endeavor, Mr. Chairman, to bring out my idea as completely and quickly as I can. I may say I am here in some capacity representing the Farmers' Union of the State of North Dakota, with a membership in that State of upward of 20,000 paid members, and that membership is growing.

The Farmers' Union, I think, will be found in accord on your final program that will come out of the United States Congress, with all of the other large cooperative organizations. You will find no difference on that point between the Farmers' Union and any other big cooperative marketing organization.

We believe that a Federal farm board will be necessary, and we believe, too, that a stabilization corporation will be necessary.

As to this Federal farm board, as a matter of fairness, we believe it will be rather essential that the dirt farmer be given representation on that board. I think you will gain the confidence of all the farmers throughout the country in the work of that board if you have a dirt farmer on that board.

As to the stabilization corporation, we think its powers should be broad, and it should not be limited or bound by or perhaps tied in with strings to any department of the Government. We think that

this stabilization corporation should, of course, be allowed to have sufficient funds to take care of a surplus, or any surplus which may come upon the market.

Now, in regard to cooperative marketing, so far as the plan of the Farmers' Union is concerned, I may say that while we are a young organization, we have our ideas, as perhaps most cooperative marketing associations have.

I may say, however, that it is my opinion, and I think it is the opinion of many men within our organization, that at this stage of the game of cooperative marketing, it is altogether too much to expect cooperative marketing organizations, for instance, that handle wheat, to cope with the situation with which they will be confronted for some years to come without some assistance. So we believe it is absolutely essential that the national Government set up an agency of this kind to assist us in the solution of our problem of marketing wheat and livestock through the cooperative marketing associations.

We believe that the farmer must have his cost of production plus a fair profit. That is the basic principle upon which all successful business in this country is doing business to-day. And because of the indebtedness confronting the farmer at this time it is the only plan by which agriculture can do it.

In regard to loans, we know, as you know, that it will be essential and necessary that the National Government provide some means whereby the cooperative associations can obtain loans to market their products.

And I would like to convey the idea also that as individuals we are strongly of the opinion that we farmers have to-day practically all the credit we need. We are not asking for credit individually any more. We want the price for what we raise at such a figure so we can pay out what we already owe. We do not want to go into debt any deeper.

I want to draw a distinction between loaning to cooperatives for marketing purposes and loaning to individuals. The interest rate is a very essential item. So I think in the consideration of this matter in connection with cooperative marketing associations it will be quite essential to consider the question of the interest rate. I know if that is not considered it will have a tendency to discourage on the part of the farmers' organizations any serious attempt at cooperative marketing.

Now, in reference to the proper machinery to carry this out, I would like to refer to a bill we passed this winter in the North Dakota Legislature, which is a grain storage bill. It aims to set up a farm granary, a country elevator, to establish a farm granary, and recognize it as a storage facility. It is authorized, when it has complied with certain restrictions, to receive the grain and give a receipt for it, when it is properly attested by the proper officer. It is a credit receipt, to be considered as collateral for loans.

We are depending, as a farm organization, quite largely upon Government assistance in this way. We are up against the proposition as to whether or not the intermediate credit banks will accept the certificate which we expect to issue on that grain as sufficient in their minds as a basis for that loan.

We are hoping that there may be a test case made of our law and that it may be decided before the special session of Congress which is about to convene adjourns, so that in case the intermediate credit bank is not satisfied with our certificate you people here in Congress might be able to give us some avenue through which to get available loans, so that we may be able to carry out the provisions of that law that we have and be able to get easy access to credit out there and be able to carry out the provisions of the law we have in North Dakota, under which it is aimed to store this grain and to keep from flooding the markets. We hope we will be able to get this cheap money and have it easily available, because if we can not do that we feel that the law will largely fail of its purpose.

Liquid credit and an easy rate of interest is absolutely essential to us, in our judgment.

There has been a great deal said before the committees on agriculture, both in the House and in the Senate, as to what might happen should we have stabilized farm prices, and should the prices of farm commodities be raised thereby, or by some other method.

One of the chief objections, I know, that has been raised is that if you pass a law providing for raising the prices to the farmer for farm products it will have a tendency to quite seriously increase production. But I am not so sure about that.

It is my opinion that, in the case of wheat, if the wheat farmers were assured for a considerable number of years of a rather uniform stable price level and a higher price than they are receiving now, to give them a fair compensation and return upon their investment, it would put them in a position so that they could look ahead further and would not be driven as they are now to produce to the very utmost to help to pay their current bills.

Thousands of farmers in our State are driven to produce to the very utmost by their creditors, to pay their bills and to meet their overhead expenses. They are in such a position that they can not do anything else.

The present system, in my judgment, is absolutely working to some extent in the way of aggravating the things to which some objections have been brought up here, so that we are now increasing production of money crops above the condition we would have if we had stabilized prices.

## STATEMENT OF A. J. MacPHAIL, PRESIDENT OF THE SASKATCHEWAN COOPERATIVE WHEAT PRODUCERS AND THE CANADIAN COOPERATIVE WHEAT PRODUCERS

The CHAIRMAN. Mr. MacPhail, will you give your full name and state who you represent?

Mr. MACPHAIL. My name is A. J. MacPhail; I am president of the Saskatchewan Cooperative Wheat Producers and of the Canadian Cooperative Wheat Producers.

Mr. Chairman, I appeared before the Senate committee yesterday. Do you want to have me make a statement along the line of the statement I made to the Senate committee yesterday, and just outline the nature of our organization?

The CHAIRMAN. You may proceed in your own way.

Mr. MACPHAIL. I will be as brief as I can. I will start back a little further than I did yesterday, because there were some questions that came up that made it necessary to go further back than I did when I started.

In order for you to get a clear understanding of the organizations as we have them to-day I think it is advisable that I briefly outline the development of the movement, and the movement as we have it in western Canada to-day.

That movement, as we have it in western Canada to-day, started back in 1901. Western Canada, Saskatchewan and Alberta particularly, were just beginning to be settled up. Even at that early date—and that is an early date in our history in western Canada—farmers were quite dissatisfied with their lot, and they formed in that year an educational organization. You have had many of them in different parts of the States for a much longer time.

The first practical results of these educational organizations created in the three Provinces of Manitoba, Saskatchewan, and Alberta, in a commercial way, was the organization of a commercial grain company, known as the Grain Growers' Grain Co., organized in 1906, with headquarters in Winnepeg.

That company started simply as a commission firm, and very soon began to acquire elevators of its own. It grew into quite a large company, and in 1916 amalgamated with a provincial elevator company in the Province of Alberta known as the Alberta Cooperative Elevator Co.

These two organizations amalgamated and have been known since 1916 as the United Grain Growers. They have between four and five huudred country elevators and large terminals at the head of the Lakes.

The next concrete development was the organization of the Saskatchewan Cooperative Elevator Co. in the Province of Saskatchewan in 1911.

That company was formed as the result of a report of a commission appointed by the Saskatchewan government to inquire into the grain trade and to recommend some method of enabling the farmers to solve their problems. It was a cooperative organization owned and controlled completely by the farmers, themselves.

In 1924–25, when the Saskatchewan pool bought out the Saskatchewan Cooperative Elevator Co., it had a system of 451 country elevators and 3 large terminal elevators at the head of the Lakes, and 1 terminal transfer house at Buffalo, N. Y. Both these big companies that I speak of were centrally controlled and administered. There was no local control.

With the Saskatchewan Cooperative Elevator Co., they always sold enough stock in a community to pay for the cost of an elevator amongst the farmers. The farmers only contributed 15 per cent of the stock they bought in cash and the Saskatchewan government advanced 85 per cent—the balance of 85 per cent.

The cooperative elevator company gradually repaid that money. They paid interest on it and gradually repaid the money as the company grew and made money.

That company was very successful from a financial point of view and was of considerable value, I would say one of the greatest value.

Perhaps the greatest single value that these companies were to the farmers was that they learned a great deal about looking after their own business in a rather large way.

They did not in any way control or change the old marketing system. They did business almost exactly in the same way as the old-line companies.

The next step that perhaps had more to do with turning the farmers' minds in the direction of farming cooperative pools was the experience they had in the year 1919 with the Canadian wheat board. The Canadian wheat board was an organization much the same as your—I think it is called Wheat Corporation in the United States. It was appointed by the Federal Government and had complete control over every bushel of wheat that was grown in Canada for sale during that year.

They made an initial payment to the farmer, when the farmer delivered his grain; made interim payments later in the season, and made the final payment when the total crop was sold.

After the Canadian Wheat Board ceased to function in the summer of 1920 its operations were so satisfactory from the standpoint of the farmers that for three years they bent all their efforts in the direction of bringing pressure to bear on the Federal Government to have that board reestablished. But, for various reasons, the Government did not see fit to reestablish the Canadian Wheat Board, and in the summer of 1923, when the farmers finally realized that they were not going to be able to prevail to get a government board they turned seriously in the direction of creating an organization of their own.

It was rather late in the season when we came to that conclusion. We had a 5-year contract drafted and circulated, put on a campaign for acreage, and in the Province of Saskatchewan we had a clause in our contract that unless with signed up 50 per cent of the acreage within a certain time, before the 12th of September—and we had only two weeks to do it—the contract would be null and void.

Although we had a very successful campaign for such a short time—it was harvest time—and we were not successful in signing up 50 per cent of the acreage within the time limit and therefore the contracts that we had already signed were null and void.

Alberta did not have the same clause in their contract and Alberta did that year set up the machinery for a pool, and the marketed thirty-five or thirty-six million bushels of that year's crop, although they only started to organize in the harvest season.

In Saskatchewan and Manitoba, we had to go back over the same campaign again and sign up all the acreage we had already signed. We were successful in both Provinces in signing up 50 per cent of the acreage by June, 1924, so that we had acreage signed up in the three Provinces in 1924.

We always took the position, particularly in the Province of Saskatchewan, that we would not operate unless we had 50 per cent of the acreage signed in contracts to the pool.

We have continued to pursue that policy until the present time. The first thing we did when we had organizations set up in each Province—remember, we have a pool in each of the three Provinces, and an organization, each autonomous in itself, each with full control over everything connected with the organization, within the

boundaries of the Province. We have a governing body in each Province of delegates and a board of directors in each Province.

The first thing we did when we got our machinery set up, our board of directors selected in each Province, was to get the three provisional boards together, because we felt that it was absolutely essential from the standpoint of the greatest possible success, to have the fullest possible cooperation amongst cooperative organizations themselves, and to eliminate as far as we could competition between the three Provinces in selling pool wheat.

As a result, we created a central selling agency of the Canadian Cooperative Wheat Producers. The Canadian Cooperative Wheat Producers has a board of nine members, three elected from the boards of each Province.

That board has complete control over every bushel of wheat that is delivered to each of the provincial organizations.

In the first place, the contract is between the individual farmer and the provincial organization. The individual farmer pledges himself to deliver every bushel of wheat he grows for sale to the provincial organization.

In turn, the provincial organization has a contract with the Canadian organization by which it pledges itself to deliver every bushel of wheat delivered to the provincial organization, to the Canadian organization.

The provincial organizations have not that authority to sell one bushel of wheat.

Would you care to have an idea of the nature of the organization itself? How it is controlled? I think, myself, it is important. I do not know whether you do or not.

But to show the absolute manner in which the farmer himself controls the organization, I would say this, that there is no individual or set of individuals in Canada that has any control, either directly or indirectly, over the policies or business affairs of the pool; not one man, not one individual, outside of the actual farmers themselves.

The manner of our setting up our organization: I will just take one Province, if you are interested. In one Province we have a board of directors of 16 members. We have divided the Province into 16 districts. Then we divided each of the 16 districts into 10 subdistricts.

In each of these 10 subdistricts, or 160 in the Province, we have a delegate elected yearly by ballot. These 160 delegates are the governing body of the organization, and they meet twice a year or oftener, if we consider it necessary.

In order to qualify to be a candidate for delegate a man must be a farmer, a grower of wheat, and a resident of the subdistrict in which he is elected; usually the subdistrict covers two municipalities.

In the fall of the year, when we are going to have our elections, we call for nominations. We send out nomination papers to all the subdistricts, to the secretaries of local committees and different local officials, and any six contract signers in a subdistrict can nominate one of the contract signers of that subdistrict for delegate. We give them perhaps a month to get these nomination papers back.

Some of our delegates are elected by acclamation. In other cases we may have a dozen nominees or we may have half a dozen.

When we get them all in on a certain date we will take all the names of the men nominated in a subdistrict and put them on a ballot paper and we will mail the ballot paper out to each contract signer in that subdistrict with an addressed stamped return envelope. All the farmers has to do when he gets his ballot paper is to take it out of the envelope, mark his ballot, and return it in the envelope, and then we appoint a man who is not officially connected with the organization at all as a returning officer; no official of the organization has any access to these ballot papers.

On a certain day they are counted. That is the way the delegates are elected.

Then the 10 delegates so elected in each district meet and elect one of their own number, a man who must be one of their own number, to be director. That is the way the board of directors is elected.

Then the directors, as I said before, of the central Canadian organization are elected from the provincial boards.

I have not very much idea just what is of interest to you men, and if I am saying something you are not interested in just stop me. But I would just like to mention this: That when we set up our central Canadian organization we have one Province—I am not going to mention Provinces, because we are one organization—we have one Province that has on the average during the past four years delivered to the Canadian organization an average of over 120,000,000 bushels of wheat. We have another Province which has only delivered an average of around 12,000,000 bushels of wheat; one hundred and twenty as against about twelve.

The Province that delivers 12,000,000 bushels of wheat has the same representation on the central board as the Province that delivers 120,000,000 bushels.

We had some difficulty in setting up an organization in that manner, because naturally you will understand some people, particularly in the Province that had the largest number of bushels of wheat were of the opinion that that Province should have representation on the selling board somewhat in proportion to the amount of wheat controlled. But we felt that it was a cooperative organization and that if the Province that controlled all the wheat, or the big bulk of the wheat, was to insist upon representation proportionately in the amount of wheat controlled you might as well only have one Province, because it would control the policy of the whole organization.

I may say that that policy has been eminently satisfactory. There has been no difficulty whatever, and there has been the utmost harmony as between the three Provinces.

After all, the province that has only the 12,000,000 bushels of wheat is just as much interested in a successful marketing of those 12,000,000 bushels of wheat as the province that has 120,000,000 bushels.

We started in the fall of the year 1924, the Canadian organization, and we handled only—we had a very short crop in Canada that year—about 80,000,000 bushels of wheat. The next year we handled about 187,000,000 bushels. The next year we handled 180,000,000 bushels. Last year we handled 210,000,000 bushels. This year we will handle between 250,000,000 and 260,000,000 bushels of wheat

and approximately 30,000,000 bushels of coarse grains—that is, oats, barley, flax, and rye.

When the farmer delivers his wheat to the country elevator point, we make him an initial payment, as large an initial payment as we consider is safe; that is, in keeping with the financial safety of the organization.

The first four years our initial payment was $1 a bushel, basis 1 Northern, Fort Williams. That is the terminal point.

Last year we reduced the initial payment to 85 cents a bushel on account of the very low price obtaining at the time the payment was set last fall.

We get the money in order to finance the movement of the grain from the Canadian banks. We have an agreement with the Canadian banks whereby they advance us money wherewith to make the initial payment. The only stipulation is that we must maintain a 15 per cent margin over and above the money that we pay to the farmer himself.

We have never had any difficulty in that connection. We have always thus far made a first interim payment about the 1st of March and a second interim payment about the end of July, before harvest, and a final payment some time in September, October, when we have the balance of the wheat sold.

I might mention, in connection with our elevator system, that although the main object of our organization is to merchandize wheat—that is our main object, although we have built up a large grain-handling organization—it is simply incidental to our main objective of merchandizing wheat. In our contract we have a clause that provides that the organization can deduct from the proceeds of the farmers' wheat 2 cents a bushel for the purpose of acquiring elevators, and 1 per cent of the gross-sale price of the wheat for a commercial reserve.

As a result of the accumulation of these reserves we have in the three provinces now something like approximately 1,450 country elevators and terminal facilities of approximately 35,000,000 bushels storage capacity.

Our Canadian organization has developed—well, we have developed it in a way to sell our wheat as much as possible direct to the consumer. We have offices and agents in different countries of the world and pursue the policy as much as possible of selling direct to the consumer, although we do use the exchange as well.

Mr. Chairman, that is as briefly as I can make it, a general outline of our organization. I could go on and say a lot more, but perhaps you will get more benefit out of my statement, if there is any benefit at all in it, by asking me questions.

The CHAIRMAN. If you have concluded your statement, the committee will probably desire to ask you some questions.

Mr. MACPHAIL. I shall be glad to answer any questions if I can.

Mr. PURNELL. What effect does the American tariff have on your acreage and production?

Mr. MACPHAIL. I do not know that it has any. It would be very difficult to tell. We do not sell wheat here to amount to anything.

Mr. PURNELL. You sell considerable wheat here.

Mr. MACPHAIL. In bond. Most of the wheat that is sold here is sold in bond. I do not think there is very much sold here and con-

sumed here. That is my information anyway. You can easily get that information as to the exact amount, but there is a considerable amount, I think, of wheat milled here in bond.

Mr. PURNELL. I did not hear all of your statement; I was called to the telephone. I would like to ask what percentage of your producers are in your organization?

Mr. MACPHAIL. Last year we marketed about 52 per cent of the total wheat crop of the three western Provinces.

Mr. PURNELL. Do those producers outside of your organization benefit by your organization indirectly?

Mr. MACPHAIL. Yes. If the organization is a benefit to the pool members, it can not help but be a benefit to the nonpool members.

Mr. PURNELL. You experience the same difficulties in Canada that like organizations in this country have experienced?

Mr. MACPHAIL. I imagine so. We experienced the difficulty that most of the farmers—not alone most of the farmers, but I think all of the business men and professional men and business interests, not only in western Canada but in all Canada—are very, very strongly behind the Canadian pool, and I think most of the nonpool farmers are very friendly to the organization and would dislike very much to see it go out of business; that some of them think that they can guess the right time to sell and profit more by staying outside of the pool.

Mr. KINCHELOE. You said there were about 52 per cent of your wheat production in your pool. What percentage in the number of your farmers are in the pool?

Mr. MACPHAIL. I could not say just exactly. In the Province of Saskatchewan we have between seventy-eight and seventy-nine thousand farmers in the pool, and there are about 120,000 in the Province. That is approximate.

Mr. KINCHELOE. What does it cost the farmers to join your pool and stay in it?

Mr. MACPHAIL. $3.

Mr. KINCHELOE. That is the initiation fee?

Mr. MACPHAIL. Yes; $2 for organization and the other is to become a shareholder, $1.

Mr. KINCHELOE. Then, of course, he is paid the net after operating expenses are deducted?

Mr. MACPHAIL. Yes.

Mr. KINCHELOE. I do not know whether you can answer this or not, but I would like to ask how many bushels of wheat were shipped to the United States in bond last year?

Mr. MACPHAIL. I really do not know.

Mr. KINCHELOE. The bulk of the wheat that comes to the United States from Canada is in bond, is it not?

Mr. MACPHAIL. The bulk of the Canadian wheat that would be milled here would be milled simply in bond.

Mr. KINCHELOE. Of course, that has only a 1 per cent tariff on it.

Mr. MACPHAIL. Yes; there is a rebate, I think, of 99 per cent.

Mr. KINCHELOE. Do you undertake by force or any other way to get the rest of these farmers in your pool?

Mr. MACPHAIL. No; we try to use as much persuasion as we can.

Mr. KINCHELOE. You have no law that undertakes to penalize them in any way?

Mr. MACPHAIL. No; we do not believe that a cooperative organization could resort to force and remain cooperative.

Mr. KINCHELOE. You have stated the intervals at which you paid your farmers. How much do you pay down, did you say?

Mr. MACPHAIL. This year 85 cents.

Mr. KINCHELOE. Eighty-five cents down?

Mr. MACPHAIL. Yes, sir.

Mr. KINCHELOE. What is the average length of time of your carry-over?

Mr. MACPHAIL. Of our carry-over?

Mr. KINCHELOE. Yes.

Mr. MACPHAIL. We have not had very much of any carry-over in any year so far.

Mr. KINCHELOE. Before the year is out——

Mr. MACPHAIL. We have always made our final payment not later than the month of October.

Mr. KINCHELOE. Where do you ship most of your wheat?

Mr. MACPHAIL. I would say the bulk of it is sold in the United Kingdom, more of it there than anywhere else; that is Britain.

Mr. KINCHELOE. Does the United Kingdom give you any preferential rate over American wheat, as they do with reference to tobacco?

Mr. MACPHAIL. No.

Mr. KINCHELOE. Is your membership growing?

Mr. MACPHAIL. Yes. I might say that our first contract expired last July, at the end of July. That means that every farmer that belonged in the first contract period was free. I am not in a position to make a definite statement, but I think I am safe in saying that we have a little larger measure of control to-day than we have had at any time since the pool was organized.

Mr. KINCHELOE. Your Government, not being a constitutional government, would your Parliament have the power if it wished, to legislate for the purpose of penalizing the farmers who stay out of the pool?

Mr. MACPHAIL. I do not think they would have the power to penalize, but I think they could have the power to———

Mr. KINCHELOE. Well, coerce or force?

Mr. MACPHAIL. To compel all farmers outside of the pool to deliver their wheat to the pool, or to deliver it to one organization.

Mr. KINCHELOE. But your Parliament has never seen fit to do that; that is not the policy of your organization.

Mr. MACPHAIL. No.

Mr. JONES. Yours is a purely voluntary organization?

Mr. MACPHAIL. Yes.

Mr. JONES. Do you have any special laws that give certain concessions to your organization, such as loan features?

Mr. MACPHAIL. No.

Mr. JONES. You use the regular commercial channels for loans?

Mr. MACPHAIL. Yes.

Mr. JONES. Do you have any antimonopoly laws in your country such as we have here, applied to industries generally?

Mr. MACPHAIL. I do not think so; I have never heard of any.

Mr. JONES. There is no law that would interfere in any way with the full and complete operation of your cooperative organization?

Mr. MACPHAIL. No; none at all.

Mr. JONES. Has your organization ever asked for any special law which would give it special concessions or credits or facilities?

Mr. MACPHAIL. No.

Mr. JONES. You have gone out and financed yourselves completely?

Mr. MACPHAIL. Yes.

Mr. JONES. You, of course, apportion the funds for receipts from your sales among the different members?

Mr. MACPHAIL. In proportion to the sale price.

Mr. JONES. What is your harvest time in Canada?

Mr. MACPHAIL. Usually it starts about the 1st of September; cutting usually starts about the 1st of September on the average.

Mr. JONES. And is completed about when?

Mr. MACPHAIL. If there is good weather, the threshing would be completed in October.

Mr. JONES. Do you use the combine or what we call the combine very much up there?

Mr. MACPHAIL. It is spreading very largely, particularly in the last two years, and more particularly in the last year. That is, the combine with an attachment.

Mr. JONES. Yes; I know what you mean. Do they find that as successful as otherwise? Weather conditions there do not interfere with their letting the wheat stand until thoroughly ripened?

Mr. MACPHAIL. I have never had personal experience, but I have been very much surprised—I have talked to a great many men; I have taken pains to do it, and I have not met a farmer yet who is not very well pleased because of his experience with the combine, even under very difficult conditions, even under conditions where there was a very great deal of rain after the grain was cut, and even where it stayed out all winter under snow; the results were very satisfactory.

Mr. JONES. That has been the difficulty in certain sections of this country. In some sections it operates successfully, while in other sections the rain and the storms, or the danger of them, prevent them from allowing it to stand until it gets ripe enough for use of the combine.

Mr. MACPHAIL. In a great many sections of Saskatchewan, or the West for that matter, the combine would be no good unless it had the swather. The swather is used very widely. That overcomes the danger of leaving the grain too long in the field until it is ripe.

Mr. JONES. Have you had any difficulty with the outside grain dealers? Have they tried to interfere with the success of your organization?

Mr. MACPHAIL. Oh, they do not like it.

Mr. KETCHAM. How many different grades of wheat are marketed in Canada?

Mr. MACPHAIL. I understand there are something over 200.

Mr. KETCHAM. Grades?

Mr. MACPHAIL. Yes; but I would say that, perhaps, 95 to 96 per cent of the grain would be contained in six or seven grades.

Mr. KETCHAM. Six or seven grades?

Mr. MACPHAIL. Yes.

Mr. KETCHAM. You have all the range of the wheat from the soft wheats up to the hard wheats?

Mr. MACPHAIL. No. In western Canada we have all hard wheat.

Mr. KETCHAM. All hard wheat?

Mr. MACPHAIL. Yes.

Mr. KETCHAM. Would you be able to give to the committee a statement—necessarily I suppose it would have to be quite general—as to the relative amount of overhead involved in the conduct of your pools?

Mr. MACPHAIL. Yes. In the Canadian organization, which is simply a selling organization, our overhead expense for two or three years—I think three years—is about one-fifth of a cent a bushel. That was our overhead administrative cost. Last year it would have been just about the same, but we have expanded our organization a great deal. For instance, we have an office in London, an office in Paris, in New York, in Montreal, and we are doing services for ourselves now that we had formerly done through brokers, and we have charged the cost of what it would have been against the grain. We are showing up to ourselves, simply for our own benefit, the value of doing this work for ourselves. As a result of that last year we reduced our overhead expense to one-sixteenth of a cent a bushel. That is just by doing these services for ourselves, cutting out the middleman.

I may not have gone far enough. That is the Canadian organization. Now, the real big expense in connection with the administration of the pool is in connection with the administration of the provincial organization. That is where the real big organization is. Our average overhead administration cost in connection with the provincial organization has been practically one-half a cent per bushel.

Mr. KETCHAM. It does not exceed one-half a cent per bushel?

Mr. MACPHAIL. Our total overhead?

Mr. KETCHAM. The total overhead, including your provincial organigation, has not yet reached 1 cent per bushel?

Mr. MACPHAIL. It does not exceed 0.65.

Mr. KETCHAM. That is very interesting.

Mr. MACPHAIL. It is somewhere around that.

Mr. KETCHAM. It is under three-fourths of a cent per bushel?

Mr. MACPHAIL. Yes, sir.

Mr. KETCHAM. We are concerned in the discussion that has gone around this table here with the question of whether or not this sort of movement accomplishes the stabilization of the price. Would you be able to contrast the situation as to the Canadian wheat price before and after the establishment of the pools with reference to wide variations in your prices?

Mr. MACPHAIL. No, sir; I am afraid I could not do that, because there has been some quite evident fluctuations, as you know, since the Canadian wheat pool was organized. Now, we could make the claim that such an organization as ours would serve to eliminate fluctuations, but I do not know how you can tell that, unless you could know how violent or wide the fluctuations would have been during the past three or four years had there been no pool. I say that because

there is such a different set of circumstances arising in each year that it is difficult to compare one year with another year. For instance, in the first year of our operations, in 1924, we had about as violent fluctuations as we have had in the history of the grain market. Of course, we were just starting and did not have such a large measure of control. We had quite a violent fluctuation last summer, when the price of wheat went down so rapidly, but I think the conditions were such then as to cause it. When there is a very large overproduction in the world, or a large overproduction in sight, it will be very difficult to imagine any set of circumstances that will prevent wheat from becoming cheaper.

Mr. KETCHAM. That goes to a very vital point that we have been discussing here. Do you have in contemplation anything that will give what we term on this side of the line surplus control, or do you simply act as a marketing agency, with the idea in mind of carrying out your marketing policies for the benefit of the wheat producers?

Mr. MACPHAIL. So far we have been—I do not want to discuss that much now. We are in the midst of our marketing year, and you, of course, understand that I have to be careful in what I say; but so far we have aimed to have but a very small carry-over. We have a very extensive organization. We have a man in Argentine the year around for the specific purpose of keeping us informed with regard to the conditions in Argentine. We have had a man down in the States here last month, traveling throughout the winter wheat area, and around, to keep us informed with regard to conditions here. We keep ourselves informed through large farm organizations in Australia continually. They keep us informed continually by cable regarding the conditions there. Our agents are everywhere throughout European countries, keeping us informed daily regarding the crop conditions in those various countries. They keep us informed regarding crops like rye, potatoes, and so forth. For instance, if Germany has a large crop of rye, then we know they will import less wheat. We try to keep ourselves accurately informed and as up-to-date as possible, and we do that continually from day to day. We do that in order that we may as intelligently as possible merchandise our wheat. We always have those things in mind. We have in mind that it is not well to take too stubborn an attitude with regard to the market.

I heard some one say this afternoon that they thought the price of cotton would go up, but that it might go down. I thought that was very apt. We never lose sight of that. In the winter of 1925 we got quite a good object lesson. Wheat went to $2.20 per bushel and I gathered from wheat sales in Canada that it would go to $3 per bushel; but the only attitude that we take as an organization is to say that wheat at $2 per bushel, $2.25 per bushel, $1.80 a bushel, or $1.75 per bushel is a mighty good price for the farmer. That is the only attitude that we take. We try to avoid, as much as it is humanly possible, being influenced by anybody's "hunches" on the market. We do not want to be caught at the end of the season holding the bag.

Mr. KETCHAM. Yours is primarily a general-merchandising organization, and you have now been operating four or five years.

Mr. MACPHAIL. Yes, sir.

Mr. KETCHAM. Are you willing to venture a statement as to what you think has been gained in the price per bushel by means of this marketing machinery you have set up, as compared with the old-fashioned agencies? Could you give that in terms of cents per bushel?

Mr. MACPHAIL. I have always refrained from giving such statements as to the actual values in dollars and cents to the farmer, because that is a very dangerous thing to do. I can have my own opinion, of course.

Mr. KETCHAM. From the fact that you are still in business there is an indication that there is something in it.

Mr. MACPHAIL. There is no question in my mind with regard to that at all. There is no question that an organization, such as the Canadian Pool, by controlling this year, as it does, 250,000,000 bushels of wheat and directing it in exactly the same manner as if it belonged to one man, can and does exercise a stabilizing and upward effect on the market.

Mr. HALL. The operations or business of your association over there must be constantly growing.

Mr. MACPHAIL. Yes, sir.

Mr. HALL. At the present time you are purchasing a number of new elevator houses and other facilities out of this 2-cent fund that you have gathered.

Mr. MACPHAIL. Yes, sir.

Mr. HALL. How difficult is it to get new members into your co-operative association? Do you have any membership campaigns?

Mr. MACPHAIL. One way is when the contracts are about to expire, we start a year ahead of time, or the year before they expire. I think that 50 per cent of the acreage in one of the Provinces signed up in, perhaps, a month or six weeks after we started. We carry on a continuous campaign. We have our delegates, 160 delegates, scattered over the Provinces, and we have a field-service staff of 20 men in one Province, and we have them in other Provinces as well. We have local committees of growers, themselves, at every shipping point in a Province. Those men are all actively at work. We are carrying on an educational campaign through the press, as well as through those men, and are holding meetings continuously. I would say that the main reason for the measure of success we have attained so far has been in holding the interest of the individuals. That is the reason such a large number of individual members have joined the organization.

Mr. LARSEN. I believe you said that your harvest season was usually closed about October.

Mr. MACPHAIL. Yes, sir.

Mr. LARSEN. If weather conditions are favorable.

Mr. MACPHAIL. Yes, sir.

Mr. LARSEN. Then the wheat is delivered to you immediately after the harvest.

Mr. MACPHAIL. It is being delivered in September, in Manitoba.

Mr. LARSEN. When wheat was delivered by the producer, he was paid 85 cents a bushel this last season.

Mr. MACPHAIL. Yes, sir.

Mr. LARSEN. When does he receive the balance?

Mr. MACPHAIL. This year we made a first payment of 12 cents on the 1st of March, and another payment is made some time toward the end of July, before the harvest. Then we will make the final payment when we have sold the wheat.

Mr. LARSEN. He receives it in three or four payments.

Mr. MACPHAIL. Yes, sir.

Mr. LARSEN. Covering a period of 12 or 15 months.

Mr. MACPHAIL. Yes, sir.

Mr. LARSEN. What percentage of the pool's members are tenant farmers?

Mr. MACPHAIL. I could not give you any answer that would be very definite. Perhaps 25 per cent, but that is a big guess, so far as I am concerned.

Mr. LARSEN. How does the producer arrange to finance himself on to the margin he does not receive from you upon his delivery of the wheat? Suppose, for instance, wheat is worth $1.25 per bushel and you should pay him 85 cents per bushel, leaving 40 cents per bushel in your hands. How does he arrange his financing without the remaining 40 cents? That is a difficult problem in some sections of the States, and especially with a certain class of people, and that, perhaps, is the main reason why they do not join cooperative associations.

Mr. MACPHAIL. After they pass over the first year that difficulty disappears. That would be a real difficulty in the first year. That is a difficulty which no doubt keeps a large number of farmers outside of the pool. After the first year he gets an initial payment in March, a second increment payment in July, at the time that other farmers are probably applying to the banks for loans for their harvest operations. At that time our member is getting a payment to finance his harvesting operations. In July he gets a payment and then he gets his final payment, which usually does not amount to much. That is the only way I can explain it, except this, that the banks do lend money on our certificates. We issue to them participation certificates when we make that initial payment, and the banks, but not in all instances, advance money on those certificates. Many of them take chances on the value of those certificates, and advance money on them.

Mr. LARSEN. Of course you are not familiar, or I assume you are not except in a general way, with credit conditions in the States. In many sections the producer has to sell his commodity, or else has to receive the price of the commodity when it is harvested. Otherwise, we have an officer in the community known as the sheriff, who takes the commodity from the farmer, if he does not watch out. Then the merchant who advances money to the farmer to produce his crop is forced either by circumstances or by an ardent desire to protect his own interests, to demand the payment of his money when the crop matures. Then there is the tax collector and some other men who visit the home of the farmer pretty regularly, demanding the payment of money. Therefore the farmer is not able to finance himself without full payment for his crop. What remedy would you suggest for a situation like that?

Mr. MACPHAIL. That is a difficult thing. We have the same conditions to quite an extent in Canada as well. I might say that there we have not only the sympathy but the active support of the mer-

chants in the country towns and in the cities as well. Even the sheriffs deliver most of the wheat that they seize from pool members through the pool.

Mr. LARSEN. In my State, Georgia, the sheriff would have no such authority as that, but he would have to sell at public auction.

Mr. MACPHAIL. We had an amendment to our sheriffs act in the West that permitted the sheriff to sell it through the pool and to take pool payments.

Mr. LARSEN. Of course, that precludes the sheriff from making an immediate collection.

Mr. MACPHAIL. Yes, sir.

Mr. FORT. You have only one harvesting period. You are not like us in that respect where we have two separate harvesting periods.

Mr. MACPHAIL. No, sir.

Mr. FORT. You have in your pool a 10-months' period from one crop season to the next.

Mr. MACPHAIL. Yes.

Mr. FORT. As against seven or eight months here.

Mr. MACPHAIL. Yes, sir.

Mr. FORT. That would greatly simplify the operation of a nation-wide pool like your own.

Mr. MACPHAIL. Yes, sir.

Mr. FORT. We have had some people tell us that there is quite a freight preferential under your system on wheat.

Mr. MACPHAIL. I do not know. I understand that our freight rate on wheat is considerably cheaper than yours.

Mr. FORT. You have government-controlled railroads.

Mr. MACPHAIL. We have a board of railroad commissioners that set the rates.

Mr. FORT. Do you buy wheat from nonmembers at all?

Mr. MACPHAIL. No, sir.

Mr. FORT. You do not buy on the exchange?

Mr. MACPHAIL. No, sir.

Mr. FORT. Do you use the exchange or future market?

Mr. MACPHAIL. Yes, sir.

Mr. FORT. To any considerable extent?

Mr. MACPHAIL. To quite an extent; yes, sir.

Mr. FORT. Do you care to say how much of the crop you market through the futures market, and how much direct?

Mr. MACPHAIL. I do not know. It is very little that we actually deliver in the futures market. I would not care to say what percentage.

Mr. FORT. You hedge?

Mr. MACPHAIL. No, sir; we do not hedge in the way that term is usually used. As you know, the old elevator companies and the old grain trade did hedge, but we do not buy grain. For instance, if we sold July to-day, or July futures, we would take the attitude that we were selling because we could get higher prices in that way than in any other, and we have the wheat to deliver.

Mr. FORT. Do you do an export business direct or do you use the export trade?

Mr. MACPHAIL. We do our exporting directly.

Mr. FORT. Has that always been the practice, or do you use both methods?

Mr. MACPHAIL. Most of our exporting has been done by cable with different agents in the different countries of Europe and of the United Kingdom.

Mr. FORT. In spite of the fact that you control 50 per cent of the wheat of western Canada, the fluctuations on the Winnipeg market are practically as wide as the fluctuations in the American market.

Mr. MACPHAIL. I think that would be natural.

Mr. FORT. In other words, even with the power of control, such as you have through your pool, the world-market conditions will control the price, or the fluctuations in price.

Br. MACPHAIL. I think that the world-wheat supply will finally control the price.

Mr. FORT. And control the fluctuations in the price.

Mr. MACPHAIL. It will ordinarily do that. It will depend on the extent of the control—that is, the fluctuations would depend on that, or the violence of the fluctuations would depend on that.

Mr. FORT. That leads up to the next question: We are thinking here in terms of setting up some kind of legislation that will, we hope, in the course of time lead to a greater organization of American wheat growers somewhat along the same lines and for the same general purposes that you are operating for.

Mr. MACPHAIL. Yes, sir.

Mr. FORT. Do you believe that your pool and some kind of organization which may be a pool or something else, if we should get one in this country working for the same purposes, jointly or separately, could influence price fluctuations in wheat?

Mr. MACPHAIL. I would be inclined to think it would.

Mr. FORT. If we had anything of that sort, do you think it would be desirable if cooperation could be produced between our American organization, or what you might call the States organization, and your own?

Mr. MACPHAIL. Under a proper set of conditions I would look forward to it with real favor.

Mr. FORT. How do you differ from the regular elevators, if at all, under your present method of dealing with your members?

Mr. MACPHAIL. The old-fashioned elevator system, as you know, was a private concern. Under our elevator system the growers own the elevators themselves, in proportion to the amount of grain they deliver to the pool, at the rate of 2 cents per bushel. We handle our elevators on a strictly nonprofit basis. In the first place, we charge less for handling grain at the initial point than the old-line companies did formerly, and at the end of the season, after we have paid all our costs, interest, and so forth, we return any earnings that we have to the grower on the patronage basis.

Mr. FORT. In other words, they get what is the other elevator man's profit.

Mr. MACPHAIL. Yes, sir. We have paid back between $4,500,000 and $5,000,000 on the patronage basis.

Mr. FORT. I want to ask this general question: In connection with wheat handling, we have had some propositions advanced to us looking toward the dumping of the surplus on the export market: Do you believe that that would be an economical or a desirable method of handling wheat?

Mr. MACPHAIL. Dumping wheat on the export market?

Mr. FORT. Yes.

Mr. MACPHAIL. I would not think so—not the dumping of wheat.

Mr. FORT. I mean by that selling in the export market for less than you sell in the domestic market.

Mr. MACPHAIL. It would not be a good thing from our standpoint; no, sir. Of course, I do not want to interfere with or make any suggestions with regard to what you do here.

Mr. FORT. I asked you if you thought it was an economical method.

Mr. MACPHAIL. It would not be from our standpoint.

Mr. ANDRESEN. Out of this 2 cents per bushel deduction, have you been able to pay for all your facilities?

Mr. MACPHAIL. We bought out the Sackatchewan Elevator Co. in 1925, at a cost of over $11,000,000. We paid $2,000,000 and we have been paying a million dollars per year since, with interest at 6 per cent. All of our other elevators that have been acquired or built have been paid for in cash.

Mr. ANDRESEN. Have you also been able to build up quite a large surplus in your central organization for general marketing?

Mr. MACPHAIL. No, sir; we have not built up any surplus in our central organization. In our central organization we have no surplus at all. It is run entirely on an nonprofit basis and every cent that results from the sale of wheat goes back in the distribution to the growers.

Mr. ADKINS. Did I understand you to say awhile ago, in reply to a question that Mr. Ketcham asked, that your overhead in the handling of wheat was less than 1 cent per bushel?

Mr. MACPHAIL. Yes, sir.

Mr. ADKINS. In other words, the farmer who sells his wheat through your organization gets within 1 cent per bushel of what it sells for when it is finally disposed of.

Mr. MACPHAIL. Yes, sir; we take this 2 cents per bushel fee for the elevator reserve. We take out 2 cents for the purpose of acquiring elevators, but that is credited to his personal account, and he receives interest on it. We take 1 cent for the commercial reserve, but that is also a credit on his personal account, and he gets the money. You are right when you say that the actual administration cost of the organization in the Province is less than 1 cent per bushel, and the cost of the central marketing organization never exceeds one-fifth of a cent per bushel. Of course, that is due to the volume.

Mr. ADKINS. About what percentage of the Canadian wheat crop is exported?

Mr. MACPHAIL. Probably 75 per cent. That is just a rough estimate.

Mr. ADKINS. That is quite a large percentage of the whole wheat crop.

Mr. MACPHAIL. Yes, sir.

Mr. ADKINS. It goes out through one gateway, does it not?

Mr. MACPHAIL. It goes through American ports and Canadian ports, including Vancouver.

Mr. ADKINS. How does the grain price in Winnipeg compare with the price at Duluth and Chicago, or the leading grain centers in this country, with a daily market?

Mr. MACPHAIL. I think that on an average we have been higher during the last three or four years.

Mr. ADKINS. There would be no inducement for you to try to sell wheat in the States, except as we paid you a premium on high-protein wheat?

Mr. MACPHAIL. No, sir.

Mr. ADKINS. That question has been raised a good many times; that is, that the Canadians would practically swamp us with their wheat. I do not see how that would happen, when their market is higher than ours.

Mr. MACPHAIL. Probably, in connection with some high-protein wheat, that might occur.

Mr. ADKINS. Do you pay a premium on protein wheat in your market?

Mr. MACPHAIL. No, sir. The millers claim that there is such a high average of protein in our wheat that they get enough in the general run of wheat.

Mr. ADKINS. So you are employing the same methods in the merchandising of wheat that our large dealers in wheat do.

Mr. MACPHAIL. No, sir; I would not agree to that. I would say that we have completely changed the marketing methods, or the merchandising methods.

Mr. ADKINS. Of course, you have eliminated some machinery, but you have your agencies out in the country, just the same as other agencies have had that marketed grain on a large scale.

Mr. MACPHAIL. Yes, sir.

Mr. ADKINS. You have followed that same method.

Mr. MACPHAIL. Yes, sir. There is this difference: That we have, for instance, from 130,000 to 140,000 farmers in our organization. Those 130,000 or 140,000 farmers, or each individual of them, was dumping wheat on the market whenever he felt like it. To-day we have substituted for that a one single selling agency for the country.

Mr. ADKINS. During what months of the year is the larger part of your wheat marketed?

Mr. MACPHAIL. I would say, in the months of October, November, and December. The bulk of it is marketed then.

Mr. ADKINS. In other words, you market it during the period when the importing countries are most active in bidding.

Mr. MACPHAIL. Yes, sir. Of course, we do not market it, so far as the pool is concerned. We do not market it.

Mr. ADKINS. You dispose of it during that period.

Mr. MACPHAIL. Not as a pool. We spread our sales throughout the year as a pool organization.

Mr. ADKINS. What I want to bring out is: In what months of the year is the larger percentage of your wheat sold?

Mr. MACPHAIL. I would say that probably more wheat is actually sold in October, November, and December than in any other part of the year. The reason the pool was organized was to enable us to spread it around throughout the year.

Mr. ADKINS. But the larger per cent is sold during those months. Would you say that half of it was sold during that period?

Mr. MACPHAIL. No, sir; I would say that in those three months 30 per cent of it was sold.

Mr. HOPE. Mr. MacPhail, your farmers, I presume, who are in the pool, market all their crop just as soon as it is ready for market, do they not?

Mr. MACPHAIL. Yes, sir.

Mr. HOPE. There is no incentive, of course, for a man to have farm storage, or go to that expense?

Mr. MACPHAIL. We put into effect a very mild system of farm storage this year in order to encourage farmers to hold their wheat back on their farms, so that we would get a larger handling through our own country elevators.

Mr. HOPE. You do not have the facilities to handle all the wheat if it is brought in immediately after harvesting?

Mr. MACPHAIL. No.

Mr. HOPE. What facilities do you use where you do not have your own?

Mr. MACPHAIL. We use all the facilities that there are. We have agreements with all the line companies doing business in western Canada to handle our wheat.

Mr. HOPE. They readily make those agreements, do they?

Mr. MACPHAIL. Yes, sir.

Mr. HOPE. You have no trouble about that?

Mr. MACPHAIL. No; they are very anxious to handle our wheat.

Mr. HOPE. Do your provincial pools do anything along the line of rendering service to your growers other than buying their wheat? By that I mean do they give them information with reference to methods of production and suggestions for planting and the possibility of market conditions in the future, or anything of that sort?

Mr. MACPHAIL. We do not deal with market conditions at all, because that is one of the things that our growers feel they have been relieved from bothering about. But we do carry on a lot of work in connection with encouraging the farmers to sow better quality seed.

Mr. HOPE. I thought perhaps your organization—which, of course, would know by the time your wheat is planted what the crop in the Southern Hemisphere amounted to, and what conditions were in the winter-wheat section in this country—might possibly advise your growers as to whether or not they should plant a large or small acreage during that season. You have never done anything of that kind?

Mr. MACPHAIL. No; we have never done that. That would be very dangerous. We might have a short crop and we might have a dry season.

Mr. HOPE. Yes; weather conditions would, of course, be very material there.

Mr. MACPHAIL. Yes.

Mr. HOPE. It has been suggested that in the legislation which we enact there be a provision for loans by the Government to cooperative organizations to extend their membership as an educational campaign or a membership campaign. In your judgment, is that a sound policy for an organization of this kind?

Mr. MACPHAIL. That would be a rather difficult question for me to answer. I would merely say that in our original campaign in the Province of Saskatchewan the only fund we had to organize and to pay the costs of the campaign was the $3 that we collected from the member when he signed. We ran short of money. The Saskatchewan government loaned us $40,000. We paid that back within six months.

Mr. HOPE. That was used in having your solicitors go about through the country and sign up the farmers?

Mr. MACPHAIL. Yes.

Mr. HOPE. You considered that as a successful operation and a wise expenditure of the fund, did you?

Mr. MACPHAIL. Yes; it was a wise expenditure on the part of the Government.

Mr. HOPE. And I presume you had your solocitors in the field all the time signing up farmers for your organization?

Mr. MACPHAIL. Yes, sir.

Mr. HOPE. They are paid solicitors who go about for that purpose?

Mr. MACPHAIL. Yes.

Mr. BRIGHAM. Can you tell us the cost of transportation of a bushel of wheat from Winnipeg to Liverpool, Mr. MacPhail?

Mr. MACPHAIL. I think it is around 20 to 22 cents, or something like that.

Mr. BRIGHAM. Per bushel?

Mr. MACPHAIL. Yes.

Mr. BRIGHAM. That is the transportation charge alone?

Mr. MACPHAIL. Yes; transportation and elevation charges at transfer houses and the like of that. I am just speaking from memory.

Mr. BRIGHAM. The entire marketing costs?

Mr. MACPHAIL. No; that would be the lake freight, the ocean rate, and all that, and elevation charges at the transfer houses.

Mr. BRIGHAM. That is from Winnipeg?

Mr. MACPHAIL. Yes; or from Fort William.

Mr. BRIGHAM. It is the same in each case?

Mr. MACPHAIL. Oh, no; it would not be the same. It would be from Fort William. You see Winnipeg is about 400 miles west of Fort William. Fort William is at the head of the Lakes.

Mr. BRIGHAM. And you would add to that the cost of getting it from the farm to Fort William?

Mr. MACPHAIL. Oh, yes. From the farm to Fort William the average rate would be, from the Province of Saskatchewan, about 21 or 22 cents a hundred; from the average point in Saskatchewan to the lake head.

Mr. BRIGHAM. And from the lake head to Liverpool it would be 22 cents?

Mr. MACPHAIL. About that; from 20 to 22, probably.

Mr. BRIGHAM. Is your wheat acreage in Canada expanding rapidly?

Mr. MACPHAIL. I do not think it is expanding rapidly. It is gradually expanding.

Mr. BRIGHAM. Do you have much unoccupied land that is good wheat land and can be taken up in the future?

Mr. MACPHAIL. We have considerable of it, particularly in northern Alberta, in the Peace River country; and there is scattered land all over the country.

Mr. BRIGHAM. Is that as good as the land that you now have?

Mr. MACPHAIL. No. I believe there is quite a lot of good land in northern Alberta, in the Peace River country, but in the older parts of the three Provinces the best of the land is under cultivation.

Mr. BRIGHAM. You do not expect a very rapid expansion in the future of the wheat industry in Canada?

Mr. MACPHAIL. I would not look for any more rapid expansion than is now taking place. It is not likely.

Mr. BRIGHAM. You are keeping in touch with the wheat industry throughout the world. Do you look for a rapid expansion in any other section of the world?

Mr. MACPHAIL. I do not think there is any evidence of it at the present time. I do not think there is enough money in growing wheat to warrant their going into it very heavily at the present time.

Mr. BRIGHAM. When I was in Canada last summer I read a statement issued by the Deputy Minister of Agriculture, Doctor Drysdale, to the effect, as I remember it, that the cost of harvesting had been cut from 25 cents a bushel to 10 cents a bushel by the swather and the combine. Is that in line with your experience?

Mr. MACPHAIL. I have had no experience, and I have made no inquiries; but I would regard it as, to say the least, the limit, anyway. It seems very high to me.

Mr. BRIGHAM. You think it is not quite that much?

Mr. MACPHAIL. I do not think so. It might be, but it seems, on the face of it, to be pretty high.

Mr. BRIGHAM. When we talk of Winnipeg market prices for wheat, it is really the value at Fort William, is it, Mr. MacPhail?

Mr. MACPHAIL. Yes, sir.

Mr. BRIGHAM. And out of the Winnepeg quotations which we see in the press we should deduct the cost of getting the wheat to Fort William?

Mr. MACPHAIL. Yes; so far as the farmer is concerned. As to that $1 a bushel that I mentioned as an initial payment, the farmer would get that $1 a bushel less the freight and elevator handling charges at his local point.

The CHAIRMAN. How does your grading system compare with the grading system in the States?

Mr. MACPHAIL. I do not know very much about your grading system in the States. We do not take protein value into consideration. I think perhaps it is very much the same kind of system.

The CHAIRMAN. You referred to No. 1 Northern. Does that correspond with No. 1 Northern in the United States?

Mr. MACPHAIL. No; I do not think so. I understand from our own salesman that our 3 would correspond more nearly with your 1; that is, your Western 1.

The CHAIRMAN. Thank you very much, Mr. MacPhail.

Mr. KINCHELOE. Mr. Chairman, may I ask one question? Mr. MacPhail, is it not a fact that your Canadian wheat growers have three advantages over the American wheat growers? You have a cheaper freight rate; you raise more to the acre, and you do not have to fertilize?

Mr. MACPHAIL. Yes. We do not fertilize yet, anyway.

Mr. KINCHELOE. And you raise more to the acre, and I believe you said that you have a somewhat cheaper freight rate than we have.

Mr. MACPHAIL. I understand the freight rate is cheaper.

Mr. KINCHELOE. That is all.

Mr. KETCHAM. Mr. Chairman, before Mr. MacPhail leaves, it seems to me that it would be well if we should, as a committee, express our appreciation of his courtesy and his kindness in coming the

long distance down here and giving us the benefit of his experience; and I, therefore, move a vote of formal appreciation to Mr. MacPhail.

Mr. LARSEN. I second the motion.

(The question was taken, and the motion was unanimously carried.)

Mr. MACPHAIL. Thank you very much. I have enjoyed my visit here.

The CHAIRMAN. We will now hear from Mr. Durst.

## STATEMENT OF CHARLES E. DURST, SECRETARY NATIONAL HORTICULTURAL COUNCIL, CHICAGO, ILL.

Mr. DURST. Mr. Chairman and gentlemen of the committee, I am representing the National Horticultural Council, which has in its representation 45 horticultural organizations scattered over the country and a considerable number of individual growers.

Gentlemen, you have heard much about the distress in other lines of agriculture, but perhaps you have not heard so much about the fruit and vegetable industries. As an example of what is happening, let me say that in 1927, according to the Bureau of Agricultural Economics, 2,708,000 bushels of peaches and 142,000 tons of grapes rotted in the orchards and vineyards of one State. The past winter about 500,000 peach trees were removed in another State, and 700,000 were removed in the same State a year ago. Orchard values are low. Financing is difficult and sales of fruit lands are practically at a standstill. Cost studies by Cornell University of large numbers of fruit farms in Niagara County for many years show an average return of $408 per year on an investment of about $17,000, allowing the operator the same wage as hired men and allowing for family labor of $156 a year. California deciduous growers lost over $15,000,000 in 1927, and over $20,000,000 in 1928, based on figures of the California Department of Agriculture and allowing reasonable costs of production.

The vegetable growers have been in a similar distressed condition.

As to a solution of these problems, we heartily subscribe to the idea of President Hoover that each branch of agriculture has its separate problems and should be considered separately in all its phases. The fruit and vegetable industries are highly specialized and present problems unlike those of any other branch of agriculture. Under this plan of procedure, we are hopeful that our industry will receive more appropriate attention than it would receive under any other plan which has been suggested.

We heartily subscribe to the idea of a Federal farm board, headed by men of understanding and sincerely interested in agriculture and horticulture. The board should have broad powers to enable it to meet changing conditions. We should not expect to develop a complete plan at the present time. We must plan to profit from our experience as we develop it, the same as was done in connection with the Federal reserve act and other progressive movements. There should be commodity representation on this board, in our opinion. Probably 8 to 10 members would be sufficient to cover the field adequately.

We have some need for changes in our credit system, but the principal need of fruit and vegetable growers is an opportunity to get out of debt rather than an opportunity to get into debt deeper. We

believe that the problems of the Federal farm loan system should be carefully studied and that this important branch of our credit system should be strengthened so that its permanency may be insured. Methods should be developed so that conservative loans can be made on orchards, as well as on lands. Practically all fruit growers own their own farms and are men of vision and high type. They have lived on their farms an average of about 17.6 years. Under the circumstances, reasonable loans on the orchards are justified.

We believe the intermediate credit system should be separated entirely from the Federal land bank system and placed under a separate organization which would make this work a major project. As we understand it, the intermediate credit work is now being handled by the Federal farm loan board as an incidental project. We believe the intermediate credit bank should be made broader in scope and that a separate organization will develop this important phase of finance more efficiently.

We desire to emphasize to the committee the importance of the Summers bill. The principles of this bill have been approved for some years by the growers and cooperative associations, as well as by the Department of Agriculture. Fortunately, the better elements of the trade now are also favoring the principles of this bill. We think the bill should be made a law. It will perform a real service in bringing order out of the confusion that now exists.

We believe Congress should endeavor to encourage cooperative marketing in every legitimate way. We believe the Department of Agriculture should be authorized and directed to take a more direct hand in promoting cooperative marketing than has been the case heretofore. We believe such a procedure would gain the support of many growers who now lack confidence in the movement, and that it would also discourage the strenuous opposition which is being offered by selfish interests to the development of real cooperative marketing.

I am a firm believer in cooperative marketing and have been active in organizing some cooperatives. If I had the influence, I would have every grower in a cooperative. However, the possibility of getting every grower in a cooperative is very remote, in my opinion, and no plan of farm relief will be effective which depends on the complete organization of fruit and vegetable growers in cooperative bodies at the present time.

Furthermore, we believe the committee should be very careful to see that no plan is offered or passed that will require such a difficult form of grower participation as to endanger the success of the entire plan.

While all of these things are important, we would not be doing our duty by the industry if we failed to emphasize the tariff. After all is said and done, the fact remains that in the fruit and vegetable industry we are importing our surplus.

Our vegetables are coming from the Tropics, Canada, and Europe. The imports are very large. Tomatoes are our leading vegetable, not counting potatoes as a vegetable, and yet we have imported a volume equal to 75 per cent of our domestic production for use in the fresh state in some years. The demand for early vegetables is practically gone when American-grown vegetables reach the market.

When the main crop vegetables are short in yield imports immediately are brought in. Thus the markets are depressed in the very seasons when growers otherwise could make a good profit.

In the fruit industry the import situation is very serious. We imported about 3,300,000,000 pounds of fruits in 1927. The imports exceeded our exports of all fresh, dried, and canned fruits by 1,200,000,000 pounds. About 92½ per cent of the fruit imports entered the country absolutely free, so you can imagine the serious effect of the imports on the fruit industry.

In recent years improvements have been made in processing fruits which are encouraging long-distance shipment. For instance, the strawberries we are now using in shortcakes and pies are largely berries preserved in sugar and frozen last year. Due to these methods, the imports of small fruits have been increasing and promise to continue to increase. There are also indications that the shipment of fresh fruits during the winter from South America may become a considerable factor. Especially should this be considered in view of the fact that we now have five and one-half billion dollars of American capital working to develop the resources of the tropical countries and find outlets for the products, as compared with one billion dollars before the war.

In the fruit industry the greatest single problem at present is the tremendous imports of duty-free bananas. The imports now reach 64,000,000 bunches a year. In 1927, the banana imports alone were over 3,000,000 pounds and exceeded our total fruit exports by over a billion pounds. We import our fruit surplus in the form of duty-free bananas.

It may seem at first thought a little out of the ordinary to propose a duty on bananas, but we ask that this committee reserve its judgment until it has had time to consider all of the factors.

On the streets here in Washington, you see fruit stands on nearly every corner. In some stands three-quarters of the space is occupied by bananas. Every time you buy fruit you are confronted with the question of whether you shall buy bananas or other fruits. When you eat banana pie you do not eat apple or peach pie, and when a mother hands her child a banana she does not hand it an orange or bunch of grapes. The competition is direct.

Banana consumption has increased much faster than population. The consumption of American fruits, as a whole, has been increasing. Apples have decreased 34 pounds per capita, or 32 per cent, in the last 30 years. In the same time bananas have increased about 300 per cent in per capita consumption and about 500 per cent in volume. These facts prove that banana consumption has increased at the expense of American fruits. There can be no question of the directness of the competition.

Bananas have been advertised on the basis of food value in comparison with American foods and fruits. The human stomach holds about a quart, and the body requires rather definite amounts of nutrients and caloric value every day. When these requirements are partly filled by bananas, they will not be filled by American products. The banana comes into direct competition with all American foods on the basis of food nutrients, and a tariff is justified on this basis.

Tariffs on foods and fruits can be justified on the basis of competing nutrients, but in a large sense, any agricultural product which replaces American acreage is a direct competitor. The American surplus situation can be effectively dealt with through the tariff if this principle is given consideration, but we doubt if the problem can be effectively handled otherwise.

We want to congratulate the members of this committee, of the Ways and Means Committee, and of the House in general, on the fact that you have already indorsed a tariff on bananas. In 1922 the Ways and Means Committee reported the tariff bill with a duty on bananas. The House passed the bill in this form. However, the Senate transferred fresh bananas to the free list and left dry bananas and banana flour to pay 35 per cent under schedule 7. The bill became a law in this form.

We recognize that this committee does not originate the tariff bill, but at the same time you are concerned over anything relating to farm relief, and the tariff is certainly an important factor. The work of this committee will surely occupy a very prominent place in the new farm program, and the views of the members should, and probably will, have great influence in shaping the tariff program, as well as all other farm legislation.

While we hold that the other factors we have mentioned are important, we feel that this committee can render the greatest service to the fruit and vegetable industry by using its influence in favor of adequate protection. We believe the tariff alone can very largely solve the problems in the fruit and vegetable industries at the present time. These industries are in great need of effective relief immediately, and the tariff is the only factor which can give prompt relief, in our opinion. We do not ask for an embargo tariff. We simply ask for tariffs that will equalize the costs of delivering competitive products to our markets and thereby give our producers a fair competitive opportunity.

I thank you.

The CHAIRMAN. We are very much obliged to you for your statement.

We will now hear from Mr. Letts.

## STATEMENT OF HON. F. DICKINSON LETTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. LETTS. Mr. Chairman, gentlemen of the committee, the matter which I wish to bring to your attention to-day is the matter of warehousing.

I know there immediately arises in your mind the suggestion that there is sufficient warehouse space at this time. The suggestion that I want to bring to you is that this warehouse space, if available, is not in neutral hands, and is not located at such points as to give the farmer the benefit of the facilities. I say that because most of the warehouses in the Central West are in Chicago. They are owned by the railroads. If they are not operated by the railroads they are operated by lessees who have very favorable leases, and it is generally believed that one of the stipulations, in writing or otherwise, is that

the grains that come in there must go out over the lines of the interested roads.

In the early days we had warehouses up and down the Mississippi River, but the railroads have crowded the boats off of the river, and the warehouses have become dilapidated and torn down, and are not there.

I want to say that, in my judgment, there are three or four things that are necessary. There should be warehouses and grain elevators along the Mississippi River and its tributaries as an aid to the inland waterways experiment. Mr. Hoover, I believe, if I interpreted his remarks correctly, has said that the use of inland waterways will very greatly reduce cost rates to the farmer for that part of his crop which must go to the foreign market.

This plan that I suggest has been indorsed twice by the Mississippi Valley Association.

Furthermore, the warehouse receipt ought to be one that the farmer can make direct use of as collateral. The Iowa Bankers' Association his twice, I think, indorsed this plan, and has said that they could loan on a certificate up to 80 or 85 per cent of the value of the crop stored.

This brings me to the third proposition which I have in mind, and that is what has been described as the glut in the market.

It seems to me that it is important that our grains and the products of our farms should flow into the market in an even sort of way throughout the year, and that the price that raisers of these products should have for their crops should be comparable throughout the year. At this time we have two classes of men. It is probably true that all farmers need help, but I say to you that in my judgment there is one class of men that needs more help than the others. We have men that own their farms, own their equipment, and have their farms well stocked, and have money in the bank. They do not need much help, in my judgment. But alongside of them is the tenant farmer, the man who owns no land, the man who owns only a team or two, and a little equipment, and no stock. He must put all of his land, or a large part of it, in grain. The potential buyer of his crops is his more fortunate neighbor, who wants to buy it as cheaply as he can, and this tenant farmer is, by the force of necessity, required to put his crop on the market as soon as it is cropped, and he must take the cheapest price of all the year. If he had the opportunity to take a Government warehouse receipt and go to a bank, he could borrow enough to finance his purposes, to pay his rent, his taxes, and his store bill, and carry the certificate until some other time of the year, when, at his own pleasure and according to his own judgment, he can get the largest value out of his crop. That is what I understand the glut in the market to be. It is that seasonal dumping that comes immediately after the harvest; and if we can enable a man to hold on to it a little longer and still finance himself, we are going to overcome that in part.

The fourth proposition that I have in mind is this: That we should industrialize the Mississippi Valley. We are too wholly dependent out there upon agricultural pursuits. We should encourage men to come in there and to float iron ore down the Illinois River, and float the coal up the Mississippi, and meet there, and we should industrialize.

The time has gone by, in my judgment, when we can expect to further populate the agricultural regions. Men produce more now than they have at any time in the past. One individual, with the advantage of the up-to-date machinery, the tractors and all, that is placed at his disposal, can produce so much more that it seems to me that we are talking beside the question when we say we must encourage our farmers to keep the boys on the farm, to attract others to the farm, and that we must encourage them to curtail production. Our whole experience has been contrary to that. We have been taught that we must make the best use of that which we have; and in my judgment we can only proceed upon that basis in the future. And so we must provide the means of utilizing the labor of a large part of the men that have been reared upon our farms in industrial pursuits.

And if we can encourage industry we will further increase the market for our agricultural products, because the better men are employed the better they will eat and the better they will clothe their families. And so we must have the market for American people that is now going to some of the various foreign countries by the purchase of their manufactured articles, as well as protecting them against the agricultural products that are coming in from those countries.

Briefly speaking, Mr. Chairman, that is the thought that I have in mind, and I think that this bill you are about to write should carry some provision for the estabilshment of facilities of this kind.

The power should be lodged some place to provide for the purchase, the building, or the financing of suitable warehouses and storage houses along the Mississippi River system, meaning the Illinois, the Ohio, the Missouri, and its other tributaries.

## STATEMENT OF HON. WILLIAM B. OLIVER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

The CHAIRMAN. Mr. Oliver, we will hear you now.

Mr. OLIVER. Mr. Chairman, the statements made before your committee to-day have been very interesting, and if they indicate the character of the statements previously made your hearings will prove of high-educational value to every friend and student of agriculture, both in and out of Congress.

The evidence of keen interest on your part as to every item that enters into the cost of production, and likewise the cost of marketing, is very gratifying.

I am not unmindful of the legislative program in the House for farm relief, and that probably your committee will be unable to recommend the farm relief that is offered to relieve the fertilizer burdens, especially of the South and New England.

Sometimes I think Muscle Shoals, in spite of all the mistakes and losses there by the Government, has brought us to a better understanding as to the real economics and real necessities for maintaining and increasing soil fertility.

I recognize that the Agricultural Committee of the House is without authority to report a bill for fertilizer farm relief, but there is no doubt that every member on this committee can aid by urging the President and the leaders of the House to arrange for legislation

at the extra session that will give fertilizer farm relief. The Madden bill, in my judgment, offers that relief in definite terms that can be definitely stated, as I endeavored to show in remarks published in the March 15, 1929, issue of the Congressional Record.

Eighteen States are represented on this committee, and the latest figures show that the farmers in the 18 States that you represent pay an annual bill for fertilizers of about $150,000,000. Georgia pays about $40,000,000, South Carolina over $33,000,000, Pennsylvania over $15,000,000, New York over $10,000,000, Ohio about $13,000,000, New Jersey about $10,000,000, Indiana about $7,000,000, Iowa about $1,000,000, with North Dakota paying the smallest bill of the 18, about $50,000.

As I have suggested, Muscle Shoals has caused those who represent the farmers in the fertilizer-using States to study the fertilizer question, and it is no surprise to find that the Commissioners of Agriculture of the New England States, with the Commissioners of Mid-Atlantic States like New Jersey, and those from some other States, have appealed to the President to have Muscle Shoals included in his legislative program for the extra session. They call the attention of the President to the fact that the farmers purchased over 8,000,000 tons during the last fertilizer year, and paid a bill of more than $250,000,000.

I read in the papers a statement made by Mr. Murphy, publisher of the Minneapolis Tribune, to members of the House and Senate agricultural committees at a dinner at the Willard Hotel. Mr. Murphy is quoted as saying, "Too much emphasis has been put on the marketing end of agriculture, and not enough on the importance of cutting costs, increasing yields of grain, producing more fertilizer. and restoring the fertility of soils exhausted by grain growing." This quotation exactly sets up the case of cotton-growing States.

When Chilean nitrate is at the present time shipped to Mobile or New Orleans with a port cost per ton of more than $43, there is included ocean freight, insurance, and commissions that amount to about $10 a ton. Nitrogen fertilizer can be shipped from Muscle Shoals to river point delivery in nine of the 18 States represented by members on this committee, and the cost of such waterway delivery for "freight, insurance, and commissions" would not exceed $3.50 a ton. This saving would apply to nitrogen fertilizers containing not more than 15 to 16 per cent plant food, the same as Chilean nitrate. We are offered, however, highly concentrated fertilizer containing nitrogen and phosphoric acid at Muscle Shoals known as ammonium phosphate carrying 61 per cent plant food.

I call your attention to a section of the report of Secretary of Agriculture Jardine for 1928 where he says:

> The freight bill paid annually by the American farmer for the delivery of the 7,000,000 tons of fertilizer which he purchases amounts to approximately $20,000,000. If the concentration of fertilizers should be increased twofold, the freight bill would be cut in two and the annual bill of $12,000,000 paid for sacks would likewise be halved.

And he says with reference to research in his department:

> As a result, fertilizer mixtures containing as high as 60 per cent plant food are now being successfully marketed at a lower price and a greater profit.

This 60 per cent plant food that he speaks of is ammonium phosphate, the production of which is guaranteed at Muscle Shoals in the offer contained in the Madden bill.

In addition to the appeals of the masters of State granges in New England and the commissioners of agriculture in those States to include Muscle Shoals in the farm-relief program at the extra session, Dr. Jacob G. Lipman, the dean of the agricultural college of New Jersey and the head of the experiment station of that State, also signed the petition to the President. Doctor Lipman is regarded as the leading authority in this country on the subject of soil fertility, and the successful ammonium-phosphate plant, that will have a capacity this year of perhaps 250,000 tons of ammonium phosphate, is located at Warners, in his State of New Jersey. Of course, Doctor Lipman knows about this plant and its product, and knows that ammonium phosphate is a success, else Doctor Lipman never would have signed this petition to the President. Mr. Fort, of your committee, I am sure, knows how well qualified Doctor Lipman is to speak on this subject.

The price which the farmers of this country pay for nitrogen is fixed by the Chilean Nitrate Association in Chile, with the Chilean Government cooperating and approving. What we ask and what we are offered at Muscle Shoals is that the price of nitrogen fertilizer be fixed at Muscle Shoals as provided in the Madden bill at 8 per cent maximum profit on the actual fair cost, with a farmers' board to supervise this cost and control the distribution of fertilizers made at Muscle Shoals. Testimony beyond further question or dispute establishes the fact that fertilizers can be produced and will be produced at Muscle Shoals under the Madden bill with a saving to the farmer of 25 to 50 per cent, and the saving cited above in "freight, insurance, and commissions" is to be added to these savings in the cost of manufacture; and I have come to the convinced opinion that under the Madden bill the farmers will buy concentrated fertilizers at Muscle Shoals delivered to their farms for from 30 to 50 per cent less than they have been paying for plant food in the past.

Reports indicate you will propose a great farmers' board in your farm relief bill. The Madden bill provides for a farmers' board. Your bill, no doubt, will undertake to provide capital and facilities for stabilizing the selling price of farm products, and enable the farmers to hold their commodities and not be forced to sell immediately upon completion of production. From reports your plan will likely be a financial plan, with a revolving fund of say $300,000,000 to assist the farmer in marketing his products and stabilize the price he gets and protect his overproduction as far as possible. The Madden bill protects the farmer in purchasing and is a plan definitely set down for cooperative purchasing of fertilizers at Muscle Shoals and cooperative distribution with a regulated, stabilized, fixed price not to be in excess of 8 per cent profit, and this 8-per cent limitation may be regarded as the farmers' "equalization fee" at Muscle Shoals in buying fertilizers. These cheaper fertilizers go directly to reduce the cost of crop production.

I hope your bill will give farm relief, but from my studies of the farm-relief problem your bill will never give the farmers of Georgia,

North Carolina, and South Carolina, who buy fertilizers annually to the amount of about $120,000,000, as much relief as the farmers of these States can count on from Muscle Shoals in buying their fertilizers if the Madden bill or some bill like it is passed at the extra session.

Muscle Shoals was built to relieve us from our dependence on Chile in times of war and times of peace, but that relief has not come to the farmers in times of peace, and last year we imported more than 1,000,000 tons of Chilean nitrate.

In connection with the Madden bill, to which reference has been previously made, it must be borne in mind that cyanamid is manufactured in Canada at a plant just like the Government's cyanamid plant No. 2 at Muscle Shoals. We pay freight on air nitrogen from Canada just as we pay freight on nitrogen from Chile, and agriculture is paying a power bill in addition of some $2,500,000 to $3,000,000 a year at Niagara Falls in Canada, while our power goes to waste at Muscle Shoals with the cyanamid plant in idleness.

It is not to the interest of the country to discriminate against the South and neglect the East and mid-Atlantic States in their needs for fertilizer farm relief legislation at the extra session.

I appeal to every member of this committee to come to the aid of these States and help the farmers in these State by assisting in having the House Committee on Military Affairs organize, so that that committee can report a fertilizer farm relief bill—the Madden bill. I believe the Military Committee would report such a bill within a week, if the committee would organize, and I believe the House would pass the bill without long delay if a rule is brought in for considering it.

Mr. ANDRESEN. Mr. Chairman, Mr. E. B. Cosgrove, the president of the National Canners' Association, asked permission to appear before the committee. I told him our time was limited. He said he would prepare a statement to be presented to the committee. He has prepared that statement, and if there is no objection I will insert it in the record as a part of the hearings in support of the passage of the Mapes bill, which has to do with the labeling of canned food products.

The CHAIRMAN. Without objection, that may be done.

(The statement referred to is as follows:)

## STATEMENT OF E. B. COSGROVE, OF LE SUEUR, MINN., PRESIDENT OF NATIONAL CANNERS' ASSOCIATION

Mr. COSGROVE. The benefits to be derived by agriculture from the enactment of S. 4800, H. R. 15218 (Seventieth Congress) justify their inclusion in the farm-relief program at the special session of Congress called to convene on April 15.

The purpose of this legislation is, by compelling the informative labeling of inferior canned foods, to afford protection to the consumer, create consumer good will, and thereby increase the use of canned foods, particularly those of the better qualities.

Stabilization and extension of the canning industry will bring important and direct benefits to agriculture for the following reasons:

1. Canning is essentially an agricultural industry. The canning process attains the same purpose as refrigeration or cold storage;

that is, the preservation of foods against deterioration. In the one case this is accomplished by continued application of cold; in the other by an application of heat and hermetic sealing. Both serve to bring foods to the consumer with the least possible change from the form in which they came from the farmer's fields and orchards. The difference between cold storage and canning is simply one of method; neither, in an essential sense, is manufacturing.

2. The canning industry provides a definite, nonspeculative market for agricultural products.

The chief problem of agriculture is to secure a definite market for the output of the farm. To the extent that the farmer's products become canned food, such a market is now afforded. It is the practice, almost universal, for the farmer and canner to agree as to the amount of products to be taken and the price thereof before the farmer does his planting, so that the market hazard is removed from farming. In the marketing of crops to be used for canning there are none of the speculative features now incident to the sale of wheat, corn, and cotton.

3. Crop diversification resulting from the canning industry's requirements has contributed to better-balanced agriculture.

In many communities the large acreage of canner's crops, both fruits and vegetables, has done much to bring about the crop diversification which is so essential to a well-balanced agriculture.

Expansion of the canning industry serves the interests of agriculture not only through diversification but through the fact that in many important production regions an increase of canning acreage means a decrease in the great staples, overproduction of which, in recent years, has contributed to agricultural distress. The operations of the canning industry help to solve the "surplus problems" of agriculture.

4. The canning industry is already a large purchaser of agricultural products. Census figures show that the canning industry in 1925 used materials to the value of about $525,614,065. These materials include the raw product which goes into the can and the cans and other supplies used in the industry. From figures compiled by the Federal Trade Commission it is estimated that 40 per cent of this value of material represents the value of the raw product. This would indicate a value for farm products used in the canning industry for the year 1925 of $210,245,000. To these totals there should be added the product of the Hawaiian pineapple industry, which was not included in the census figures.

5. Better prices for canners' crops will result from the increased production of higher-grade foods.

The grade of the finished canned food is determined largely by the grade of the raw material that goes into the can. Increased production of higher-grade foods is certain to result from enactment of the proposed labeling legislation, and this will directly benefit the farmer by requiring higher-grade crops at better prices per unit of production.

6. Enactment of this legislation will facilitate the extension of the Federal warehouse system to additional canned products.

Another way in which this will contribute to farm relief was pointed out by Representative John C. Ketcham, of Michigan, in a

statement before the Senate Committee on Agriculture and Forestry at the hearings February 7 on S. 4800. Mr. Ketcham said:

The third thing that gives me a great deal of interest in this measure is something that I think has not been mentioned heretofore. This point is directly related to the farm-relief program, in which all of us are very vitally concerned.

I want to associate with this act the Federal warehouse act and the issuing of receipts as a basis of credit. I think it is known to all the members of the committee that recently certain canned products have been admitted within what is called the eligible list upon which warehouse certificates may be issued, and I understand that possibly other products will likewise be admitted to this eligible list.

Senator KENDRICK. Is that the plan by which credits are extended for carrying the product?

Representative KETCHAM. Exactly so; and all of us who are familiar with farm relief know that that is one phase of that whole situation that demands careful consideration.

If warehouse receipts may be issued upon these products, it occurs to me that this designation of quality will be of very great assistance to the producers and manufacturers alike, because as you make it possible to finance canning operations, by just that degree do you enable the producers to have a larger market for their product. Consequently, it seems all along the line, to consumers and producers and everyone alike, that the legislation is very valuable.

7. The benefits to agriculture that would result from this legislation would be obtained without the establishment of new and expensive administrative machinery.

The proposed legislation contemplates the use of administrative machinery already in existence, and little or no additional expense would be incurred in its administration. Because the canning industry is very widely distributed, the benefit from this legislation would be felt in practically every part of the country. In fact, no measure can be suggested looking forward to farm relief that offers so much in the way of direct and practical benefits to the farmer without the expenditure of public funds and further burdens on the taxpayer.

The proposed legislation would benefit and protect the consumer through identification on the label of low-quality canned foods. It would benefit agriculture through expansion of the canning industry, which promotes diversification of crops; through lightening the load imposed on distribution by the great "surplus" crops and by furnishing a stabilized, nonspeculative market to growers of the canners' products; it would benefit the canning industry through increasing consumer confidence and good will that would promote consumption of canned foods.

## STATEMENT OF HON. WILLIAM C. LANKFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

The CHAIRMAN. Mr. Lankford, we will hear you now.

Mr. LANKFORD. Mr. Chairman and gentlemen of the committee, I do not wish to take up the time of the committee at this late hour. I realize that the committee has been very busy in the consideration of the farm relief program.

The Senate committee on Agriculture and Forestry has given me a very courteous hearing, and there will appear in the record of the Senate committee hearings a rather extended statement of mine discussing a bill which I introduced at the last session and which I shall introduce again in the next session.

These hearings will explain in detail my idea concerning that bill and concerning other proposed farm relief measures. I invite the attention of the members of this committee and Congress to my statement which will appear in the Senate hearings.

## STATEMENT OF HON. EDGAR C. ELLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

The CHAIRMAN. Mr. Ellis, we will hear you now.

Mr. ELLIS. Mr. Chairman, I realize that at this time and in this situation brevity is the very soul of courtesy, if not of wit.

As to my qualifications to speak, let me say that for more than half my life I have been in direct contact with farming. I owned and operated a Missouri stock and grain farm of proportions for the 16 years between 1909 aind 1925. When the lemon was squeezed in 1920, I emerged from the pulp. My sympathies are right, and I ought to understand; I believe I do understand reasonably well the problems of the farmers of the interior, from subsoil to market.

I want to support a farm relief bill—the bill that will emanate from this committee. The President of my faith, nominated in my city, has called a special session to enact "farm relief" legislation. A Secretary of Agriculture, a distinguished townsman and personal friend, has proclaimed the necessity for it.

But great and varied trade and industrial interests center in my city. Disguise the fact as we may, this is a proposal for class legislation. The peculiar deservedness of the class justifies exceptions in its behalf. It is from no lack of confidence in you, my colleagues, that in my desire to vote for your proposals I have humored some misgivings and sought opportunity to set up some signs on the ice—where not to skate.

I hope, in your deliberations, you will not disregard the patent fact that in these piping times of innovations in industry—not always reforms—not one alone but many lines and classes in industry and trade face conditions that are intolerable, problems hard to solve.

For instance, advantaged by splendid facilities and favorable rates of carriage for their commodities, mail-order houses of the great centers are piling wealth in piles like straw from the carrier and are imposing hardships on the local tradesmen in the country towns. I doubt that farmers are right now coping with more untoward conditions than are the country merchants with whom they trade.

At the same time capital, aggregated in chain operations, is pressing hard the small, independent merchants of the cities. In your legislative proposals I trust you will avoid so far as you may the setting of dangerous precedents in dealing with this one industry, precedents that may not be followed—that will rise to mock—when other industries encouraged by them shall resort to Congress for aid.

Again, I would have you consider another fact that must also be patent to all. The farmer's real troubles, the handicaps that keep his nose to the grindstone, are those that inhere in the nature of his industry. Little, if anything, can be done by legislation or by governmental intervention to aid in these, his most constant and

greatest difficulties. It is true that the farmer is the only producer who has little or nothing to say about the price he shall have for his product. Moreover, he is the only producer of importance in modern industry that does not virtually sell his output before he produces it. But these are not because of indifference to his own interests; neither to shortsightedness nor perverseness. Encountering, as he must, and knows he must, the whims of weather, seasons, and climate, he labors on, plows, sows, and cultivates, but simply can not, for causes beyond his control, anticipate the harvest or calculate the quantity of his output.

If he multiplies his plantings, he may contribute to an unmarketable surplus; if he restricts his sowing, he may be in want. And whether he multiply or restrict, he may and knows he may lose all from frost or flood or drought. The farmer—except perhaps the grower of grain in arid sections, who is not so much a farmer as a sportsman—has learned to balance the probabilities pretty well. Pardon me the expression of doubt that swivel-chair experts may be expected to do better.

Next, I would commend to your thought, that the marketing systems now available to the farmer have developed out of long experience and in consonance with new demands of modern living and the changing conditions to which I have adverted. I do not rise to their defense but venture the opinion that, while these systems may be controlled by law and supplemented by cooperative efforts of the farmers themselves, they should not be destroyed. Any attempt to displace present facilities by new marketing structures that will preclude or even discourage the individual initiative, the free play of competition and enterprise that characterizes American business, will work disastrously to every interest of agriculture.

I trust, moreover, you will not be deceived, my colleagues, by the notion that the Government can furnish capital and management—money and skill outright—to an industry or to any branch of it, and at the same time keep out of private business. Right there is the thinnest ice of all. Far too much, we all realize, has the notion been fostered in our politics that an ailing industry should repair to the Government for treatment and hospitalization. Within a proper sphere the Government may clear the track, remove obstacles, direct fair play in the interest of an industry. It may afford general facilities and create general conditions favorable to a general prosperity that may be and often are vital to the prosperity of a particular industry. This proper promotion of the general welfare, so ordered and directed as to foster agriculture, is being sought by legislation emanating elsewhere in the Congress. It is to be hoped these traditional principles will be regarded here like benefits, both needed and deserved, may flow to agriculture from your deliberations and proposals.

## STATEMENT OF HON. J. A. GARBER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

The CHAIRMAN. Mr. Garber, we will hear you now.

Mr. GARBER. Mr. Chairman and gentlemen of the committee, I do not come before you as an expert, nor with and detailed plan. I do not represent any organization, but would speak as a private

producer. As I have heard detailed plans described here during the days of these hearings, I do think it is due you to say that this is a committee of modern Jobs, from the standpoint of patience.

So I am going to take only a few minutes to emphasize one particular angle or phase of the proposed bill, as I have gathered its import through the days, and that is this:

It seems to me that all of us ought to realize the importance of one particular suggestion or provision in the proposed bill, and that is clearing houses for perishable fruits and various perishable commodities.

Gentlemen, whatever bill may finally be evolved or worked out by this committee—and I have great faith, let me say by way of parentheses, in what the committee is going to do; I am not quite so skeptical as some people—I hope very much there will be incorporated in this bill a very clear-cut plan for the setting up of clearing houses to handle perishable fruit in particular.

Why do I suggest that? Let me say briefly that will do three things: In the first place, it will help the producer and the grower like myself to have some voice in bargaining for the sale of his own product. It will give him an opportunity to say something as to the price his commodity will finally bring on the market.

In the second place, it will eliminate the very definite pronounced advantage, not to say the steal, that is perpetrated upon the average producer by the average commission man to-day.

I would not want to be misunderstood when I say that. I would not say there are not any honest commission men. I would not say that at all. I think there are some, perhaps.

But it is a fact, and a tragical fact, that the folks who produce your peaches, your tomatoes, and various lines of perishable commodities literally lose whole shipments under certain conditions.

May I suggest an example, Mr. Chairman? On the same day there has gone out from my home shipping point one car of peaches, for example, that would bring approximately $1,000. That was sold f. o. b. There was another car that needed to be consigned, and when returns on car came back the grower had to pay part of his carrying charges, and he got nothing. That is not an imaginary case; it happens over and over every year.

Here is another case. A grower near me shipped out several carloads of pears to a southern market, and he got word in a few days that all his pears, some six or eight carloads, were very badly damaged, and the price would have to be cut from the proposed $1.50 to 50 cents a bushel. He got on the train and went down to that southern market. He walked into the cold-storage plant where the pears had been placed temporarily, and did not make himself known. He said, "You have some mighty fine pears here," and the man in the warehouse said, "Yes; they are from Virginia; they are wenderfully fine pears." And my friend said, "At what price can I buy a carload?" The warehouseman said, "They will cost you $2.50 a bushel and storage." And the pears were in very fine shape.

That is another case which illustrates my point, gentlemen, that, in order to protect the grower against the imposition of the unscrupulous commission men—I am not speaking of the honest ones—we need to adopt this clearing-house proposition, that is, this set-up of an organization at the terminal where this property can be shipped

and be handled in such a way that the grower will be protected from that sort of imposition and consequent loss.

In the third place, the establishment of clearing houses at the terminals in the large cities will do this. Not only will it give the grower a chance to bargain on the market for his own product, where he will have the opportunity to set the price for his own commodity. Not only will it protect him from the unscrupulous merchant I have just spoken of, but it will afford an opportunity to the grower and the shipper to procure reliable information with regard to market conditions as to the supply and price prospects that he is not able to get in any other way.

It is not an unusual thing for the grower to get this sort of a message from the commission man: "Market in fine shape; let them roll." That is their favorite expression. The trouble is they keep on rolling and finally land six or seven hundred miles away at some other market, to try to get away from the glut, as they say; and the result usually is a total loss to the producer.

Those are the three particular things I want to call your attention to.

I think whatever your bill may provide, that for the help of the grower of perishable commodities, it ought to contain a very special provision to take care of the clearing-house proposition.

I am not going to try to cover the whole bill. I do not want to speak of the general plan; I merely wanted to emphasize that one thing, and I hope that the committee will give it serious consideration.

The CHAIRMAN. At this time I wish to present to the committee a number of plans for agricultural relief, submitted in written form by parties from various sections of the country, together with correspondence containing recommendations relative to farm-relief plans, and without objection desire to insert in the record of the hearings, a list of names and addresses of those submitting such plans and recommendations; also a number of telegrams recommending Muscle Shoals fertilizer legislation as farm relief, or that Muscle Shoals fertilizer legislation be included in the farm-relief measure.

Mr. PURNELL. I think the committee ought to take some notice of the fact for the record that people who have not testified personally have submitted plans and sent telegrams, and so forth.

Mr. FORT. I suggest that the program committee make such entry for the record, at the conclusion of the record, as they see fit, of these various plans and communications.

(The list of plans and communications follows:)

LIST OF PLANS, ETC.

R. A. Ward, Portland, Oreg., telegram containing views of Committee of Eight, National Committee on Cooperation for North Pacific Nut Growers Cooperative, Eugene Fruit Growers Association, Pacific Cooperative Poultry Producers, Pacific Cooperative Wool Growers.

Herschel Waldron, the Arnett Athenæum, Oklahoma City, Okla., telegram, letter, and detailed description and plan.

W. H. Anthony, Allentown, Pa., letter and plan.

H. W. Wiley, Mills Building, Washington, D. C., letter and article.

F. H. Sloan, secretary Farmers' Elevator Association of South Dakota, Sioux Falls, S. Dak., telegram and letter that Farmers' Elevator Association indorses testimony of S. J. Cotting and D. H. Allen.

F. W. Murphy, chairman agricultural legislative committee, Wheaton, Minn., letter and resolution adopted by Corn Belt committee, adopted March 18, 1929.

H. C. Auberg, county agent Winnebago County Farm Bureau, Thompson, Iowa, letter and resolution by Winnebago County Farm Bureau, adopted March 1, 1929.

W. G. Fulton, secreary Farmers' League, Anne Arundel County, Annapolis Junction, Md., letter and resolution of Farmers' League of Anne Arundel County, Md., adopted March 30, 1929.

Hon. L. T. McFadden, of Pennsylvania, letter and copy of remarks in House March 2, 1929.

William Hirth, chairman Corn Belt committee, Columbia, Mo., telegram containing views on farm relief legislation.

Hon. Clarence Cannon, Elsberry, Mo., telegram relative farm relief hearings and legislation.

Hon. Lewis L. Walker, of Kentucky, letter requesting tobacco be included in farm-relief legislation.

Charles Provost, secretary California, Arizona, New Mexico Cotton Association, Los Angeles, Calif., letter and plan.

Hon. Albert E. Carter, of California, letter transmitting brief of national potato committee of California, suggestions for changes in McNary bill, second session, Seventieth Congress.

Rev. E. David Minton, 710 Fannin Street, Shreveport, La., letter of comment on farm relief.

Barney F. Sheridan, Fond du Lac, Wis., telegram indorsing views of E. Clemens Horst.

H. A. Logue, Winton, Calif., letter of comment and suggestions.

E. C. McClellan, 501 Harrison Street, Portland, Oreg., letter and plan.

Charles E. Collins, president Kit Carson State Bank, Kit Carson, Colo., letter of suggestions.

Hon. James G. Strong, of Kansas, letter suggesting Secretary of Commerce be included member of board ex officio.

C. A. Kimball, Manhattan, Kans., 304a Poyntz Avenue, letter and plan.

E. L. Chaddock, Fresno, Calif., letter containing suggestions.

Hon. Thomas E. Cashman, Owatonna, Minn., letter and comment.

I. H. Hull, general manager Indiana Farm Bureau, Indianapolis, Ind., letter, suggestions.

E. W. Brown, Vining, Kans., letter of suggestions.

W. A. Vandergrift, 3308 Colonial Avenue, Norfolk, Va., letter of suggestions.

L. E. Eickelberg, 103 East Fifth Street, Waterloo, Iowa, letter of suggestions.

Horace J. Mann, 1051 Coronado Avenue, Long Beach, Calif., letter of suggestions.

H. B. Tabb, executive-secretary, National Potato Institute, 9 South Kedzie Avenue, letter and brief on farm relief.

Andrew Trovaton, McIntosh, Minn., letter of recommendations.

F. A. Turner, Avoca, Iowa, letter of suggestions.

W. Ledoux, 2417 Templeton Street, Omaha, Nebr., letter of suggestions.

Nels Erickson, Palermo, N. Dak., letter of suggestions.

Ferdinand A. Fischer, 4441 Broadway, New York, N. Y., letter of suggestions.

J. O. Kasa, Wallingford, Iowa, letter of suggestions.

J. L. Dean, 43 Benton Avenue, Waterville, Me., letter of comment.

Frank L. Davis, 315 Fifth Avenue, New York, N. Y., letter and plan.

Clyde L. King, editor The Annals, Thirty-fourth and Walnut Streets, Philadelphia, Pa., letter and copy the Annals on farm relief.

C. W. Hillhouse, Sylvester, Ga., letter of suggestion.

W. W. Lawrence, Patoka, Ill., letter and plan.

T. W. Graham, Pella, Iowa, letter and plant.

Frank E. Peterson, Roy, Mont., two letters of suggestions.

J. F. Lucas, Hoodsport, Wash., letter of suggestions.

T. A. Owdom, Edgefield, S. C., letter of comment and suggestions.

J. H. Meek, director division of markets, Richmond, Va., letter and plan.

W. H. Barkuloo, Rockport, Tex., letter of suggestions and plan.

Morris Land Co., 6 West Seventh Street, Lawrence, Kans., copy letter to Senator McNary containing suggestions.

Jule G. Smith, president Fort Worth Elevators & Warehousing Co., Fort Worth, Tex., copy letter to Senator McNary containing suggestions.

Jacob H. Taylor, 532 Seventeenth Street NW., Washington, D. C., article on farm relief.

W. F. Davis, 1526 Fulton Avenue, Birmingham, Ala., letter of suggestions.
Fred McCulloch, Hartwick, Iowa, letter of suggestions.
M. L. Masson, Brookside Farm, Buffalo Gap, Custer County, S. Dak., printed pamphlet on farm relief.
H. H. DeWitt, 827 Adams Street, Denver, Colo., letter and plan.
George A. Elsom, president Farmers Cooperative Grain Co., Britton, S. Dak., letter of suggestions.
Louis G. Chrysler, Hartley, Iowa, article on farm organizations, etc.
J. J. Dillon, the Rural New Yorker, 333 West Thirtieth Street, New York, N. Y., letter and pamphlet containing suggestions.
P. F. Luchsinger, director division No. 2, Eighth Federal land bank district, Columbus, Nebr., letter and editorial on Cooperative Farm Relief.
William J. Mitchell, Belleville, Ill., letter of suggestions.
E. F. Chase, Oak Grove Farm, Harmony, Minn., letter of suggestions.
E. R. Thomas, Fortieth Street at Atlantic Ocean, Miami Beach, Fla., letter, comparison of plans, and pamphlet.
T. T. Twitchell, Harwood, N. Dak., letter and correspondence with Secretary Wallace in 1923 on farm relief.
T. A. Owdom, Edgefield, S. C., three letters of suggestions and comment.
Nis Behrendsen, Gilmore City, Iowa, letter on farm marketing.
Dr. Ralph T. Searing, 817 Lowry Building, St. Paul, Minn., plan.
Henley Eversole, treasurer Illinois Branch, National Society Sons and Daughters of the Pilgrims, Newman, Ill., letter of comment.
Frank E. Peterson, Roy, Mont., letter of suggestions.
H. N. Owen, Farm Stock and Home, 427 Sixth Avenue south, Minneapolis, Minn., letter and proposed bill.
I. I. Flo, Thompson, Iowa, letter and revised resolution of board of directors, Winnebago County Farm Bureau.
A. H. Sandrock, Cleveland, Ohio, letter and proposed bill.
L. E. Eickelberg, 103 East Fifth Street, Waterloo, Iowa, letter and suggested plan.
P. E. Knudson, Oriska, N. Dak., letter and suggested plan.
John J. O'Donnell, 21 Peach Avenue, Providence, R. I., letter of suggestions.
C. L. Fitch, Iowa State Vegetable Growers' Association, Ames, Iowa, letter of suggestions, etc.
John Serata, 111 South Fifty-ninth Street, Philadelphia, Pa., plan.
H. A. McGusty, Enterprise, Miss., letter of suggestions.
H. H. Kent, 1001 Main Street, Galena, Kans., letter to Senator McNary, of suggestions and comment.
S. A. Haughery, New Orleans, La., letter of suggestions.
Martin Erickson, Vermillion, S. Dak., letter of suggestions.
John Caswell, jr., 2162 Florida Avenue NW., Washington, D. C., letter of suggestions and suggested plan.
Wenatchee District Cooperative Association, Wenatchee, Wash., telegram to Hon. Sam B. Hill, advising growers' organizations friendly to inclusion apples and pears in farm relief legislation.
Iowa Nebraska Canners Association, George R. Kelly, secretary, Grinnell, Iowa, telegram recommending H. R. 15218 be included in farm relief legislation.
Elson Averell, Ada, Mich., letter of suggestions and newspaper editorials.
C. E. Fisher, Ottawa, Ill., letter with suggestions and comment.
Thomas B. Lee, president Martin Bros. & Lee, Kansas City, Mo., letter suggesting inclusion H. R. 12288 and suggestions.
F. W. Whitney, secretary El Paso Valley Bartlett Pear Association, Yeleta, Tex., letter to Hon. C. B. Hudspeth, statement of needs of pear growers in the way of farm relief.

TELEGRAMS SUGGESTING MUSCLE SHOALS FERTILIZER BE INCLUDED

R. M. Clewis, Tampa, Fla., telegram.
H. T. Bennett, secretary Manatee County Growers Association, Bradenton, Fla.
J. P. Harlee, chairman board of county commissioners, Manatee County, Fla.
J. C. Hutchison, general manager Sanford Oviedo Truck Growers (Inc.), Sanford, Fla.
Lee & Edwards, Tampa, Fla.
L. C. Edward, ex-president Florida Citrus Exchange, Tampa, Fla.

D. M. Courtney, Palmetto, Fla.
American Fruit Growers, Sanford, Fla.
E. F. Dutton, Sanford, Fla.
Florida Vegetable Corporation, Sanford, Fla.
Andrew L. Felker, commissioner of agriculture Department of Agriculture, Concord, N. H., letter.

PROPOSED BILLS SUBMITTED TO COMMITTEE WITH ORAL TESTIMONY

Edwin McKnight, Medina, N. Y.
J. M. Byrnes, 997 Lincoln Avenue, St. Paul, Minn.
Dudley G. Roe, W. D. Roe & Son, Sudlersville, Md., letter containing additional information not included in hearings.

Mr. FORT. I will now move, Mr. Chairman, that the committee adjourn, subject to the call of the chairman on the readiness of the subcommittee to report; and that we do nothing until the subcommittee is ready to report.

(The moton was carried.)

(Whereupon the committee adjourned.)

C13

LRBJa'30